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International Affairs

Rising Distrust of Migrant Workers in Valencia *93AF0245E Algiers LIBERTE in French 21 Nov 92 p 4*

[Unattributed article: "70 Algerian Illegals' Interrogated in Valencia"]

[Text] *Is there an upsurge of xenophobia in Andalucia?*

Approximately 66 "illegal" Algerian immigrants were interrogated by the Spanish police last Tuesday at Vitoria in the Spanish Basque region, the Madrid monarchist-rightist daily ABC reported last Tuesday.

They were arrested at the railway station in that city as they were preparing to leave for Valencia and Andalucia, ABC explained. The newspaper added that nine of their number were released for administrative reasons; eight whose status is "illegal" will be deported; and the rest are still in police custody.

According to ABC, these immigrants had stayed for several weeks in the towns of Alegria and Salvatierra, where they harvested potatoes, after which they planned to travel to Valencia and Andalucia to obtain seasonal agricultural work. Many "illegals" from the Maghreb often work under difficult conditions—and for very low wages—harvesting agricultural crops.

ABC states that the "SOS Racism" collective of Alava protested against the imprisonment of the Algerian immigrants and denounced the attitude of the civilian government of Alava in matters involving immigration policy, especially as they relate to the seasonal immigrants who work on the farms and ranches of the region.

Mr. Milano [not identified] told ABC that where illegal immigration was concerned, he merely "enforced the law."

Upon being informed by the Spanish authorities of these arrests, the Algerian Embassy in Madrid immediately acted to determine the situation of the immigrants and take the necessary measures with regard to their stay in Spain or their repatriation. Illegal Maghreb immigrants often destroy their travel documents in order to avoid deportation, making it difficult to establish their true nationalities.

Moreover, following the murder of a young immigrant from the Dominican Republic by a group allegedly consisting of Spanish neo-Nazis, there was a strong reaction in Madrid condemning a possible upsurge of racism and a resurgence of xenophobia. The Spaniards—who themselves are a people of migrants and have suffered far too much from racism—have mobilized strongly against the phenomenon of racism.

The rachitic Spanish party of the extreme right—the "Spanish Falanges," whose members openly give the Nazi salutes—have denied any responsibility for the

murder of the young Dominican, whose body was repatriated last Thursday to Santo Domingo.

The United Left (a coalition of parties of the Spanish left) has organized a large demonstration for next Saturday to protest against racism and intolerance.

Regional Affairs

Islamist Camps in Sudan; World Ties Discussed *93AF0270A Algiers LIBERTE in French 8 Dec 92 p 2*

[Article: "Revelations of 'Camps for Exporting Terrorism' in Sudan; 316 Algerians Have Gone to 'Deugla' and 'Oum Derouane'"; first paragraph is LIBERTE introduction; article translated from Arabic into French by Khalfoune Fatima]

[Text] After a special inquiry the Arabic edition of EL WATAN has revealed the truth about the camps in Sudan for organizing, training, and exporting terrorism.

There are 13 camps for extremists of various nationalities, including Algerians. The camps are directed by Iranian, Afghan, Pakistani, and Sudanese military experts.

By establishing these camps Ettourabi's objective is to prepare for a coup d'etat throughout the Arab world.

At the same time the preparations of the Sudanese Government to reconstitute its army and four security organizations are in "the final stages."

The objective is to arrange for large-scale infiltration of the security organizations as well as to ensure the escape of Ettourabi's major supporters, in addition to securing the support of military officers for "the legal leadership" presided over by General Fethi Ahmed Ali.

A major blow against the existing Sudanese security organizations took place at the Sudanese Embassy in London.

The embassy officer in charge of the cipher system left his office, bringing with him "Top Secret" files and documents.

In office No. 7 on the fifth floor of the Palace of Friendship in Khartoum there is a bureau of research and investigation, which comes under the Arab Islamic People's Congress, presided over by Sheikh Hassan Ettourabi.

Within this office, which is tightly guarded, Ettourabi is setting up very confidential contacts with extremist, fundamentalist organizations in Egypt, Tunisia, and Algeria as well as with other Arab countries, including Somalia. Recently, Somalia saw the emergence of an extremist, fundamentalist organization that works alongside the forces of Gen. Mohamed Farih Idid and has material and logistical support from the Ettourabi Front.

On 7 February 1990 Ettourabi ordered the establishment of this bureau and provided it with electronic communications and seven fax machines.

Ettourabi was also able to obtain electronic jamming systems from Iran.

It was Col. Fateh Aroua (a member of the Sudanese National Front) who brought these jamming systems back to Sudan after a short visit to the Iranian capital in April 1991.

Sudanese opposition sources indicate that the Bureau of Communications and Investigations received minute-by-minute reports from Algeria during the legislative elections, which took place at the end of 1991. Sheikh Hassan Ettourabi arranged to obtain help from Iranian and Lebanese experts (members of the Hizbollah group), as well as Egyptian experts who belong to the "El Djihad" (an extremist organization), for the development of a confidential cipher system that would make it possible for him to contact fundamentalist organizations in the Arab world and abroad, so that the Sudanese security services could not read these messages.

These same sources state that contacts are maintained on a weekly basis between Ettourabi and certain leaders of extremist, religious groups, including Rached El Ghennouchi, leader of "al-Nahdah," a clandestine Tunisian party. He still has a Sudanese passport; Cheikh Omar Abderrahmane, the "mufti" [Muslim religious leader] of "El Djihad," an Egyptian, fundamentalist organization; he currently lives in New York; and Mohamed Abdes-salam El Islambouli, who is the leader of Arab mujahedin groups in Peshawar and who previously played a leading role in the war against the communist forces in Kabul.

The Bureau of Communications and Investigations supervises a group of auxiliary organizations scattered throughout the Arab world, particularly "The World Islamic Rally of Student Organizations," which held its organizational congress during the first week of December 1991 in Khartoum. The second organization is "The World Islamic Union," which seeks to arrange at some future point for trade unions in each Arab country to join a world organization called "The World Institute of Islamic Thought." Its headquarters are in Washington.

According to Koliali Brahime, a Malian student, the objective of these organizations is the propagation of Islam in all corners of the world and "the defense of the weak." In the view of Abderrahmane Bendmass, another student and a Chadian national, the choice of Washington for the permanent headquarters of "The World Institute of Islamic Thought" is based on several considerations. Among others is the fact the institute would have broad freedom to print and distribute books and publications.

The institute also receives contributions from rich Muslims living in the United States, helped in that regard by religious leaders such as Echeikh Mohamed Abderrahmane, an Egyptian.

A citizen of the Arab Maghreb who took part in the activities of "The World Islamic Rally of Student Organizations" told the newspaper LE SOUDAN MODERNE that, "Sudan, under the leadership of Ettourabi, has taken a major step in achieving universal reach for religious movements."

On the other hand, at a meeting of members of what is called "The Council of 40," which comes under a leadership body of the Sudanese Islamic Front and was held on 23 October 1992 in the Palace of Friendship, Ettourabi admitted at that time that the Arab Islamic People's Congress, the World Organization of Fundamentalist Groups Opposed to the Arab Governments, and a number of members of the "Muslim Brotherhood" had not succeeded in achieving their objectives because of the oppression of the mujahedin by the Arab Governments.

At this meeting Ettourabi admitted for the first time the existence of camps for training Egyptian extremists.

He said specifically: "...We must state that there is no question of turning back from providing help and support for the mujahedin in Egypt. I have ordered Brother Nafaa and Brother Kamel Ali Mokhtar to provide all aid and help for the supporters of Mohamed who come from different countries, and particularly Mokhtar's unit," which arrived most recently and was located in the camp of the "citadels."

It should be noted that members of the clandestine military resistance were able to record the proceedings of this meeting secretly as well as to arrange for the also secret distribution of this recording to units of the armed forces and, through them, to the people in the streets.

Opposition sources explain that three other camps have been opened in anticipation of the return of 900 Arab fundamentalists who were in Afghanistan and who are afraid to go back to their own countries because the security services are waiting for them at the various airports, although some of them have succeeded in infiltrating themselves back into their countries.

Reports are circulating in Khartoum about an agreement reached between Omar Abderrahmane and Ettourabi concerning the need for such a return of "Arab mujahedin" to their countries.

Other sources report that Omar Abderrahmane has promised to provide \$3 million for round-trip air passage between Ankara, Teheran, and Karachi, on the one hand, and Khartoum, on the other hand, to arrange for the return of the mujahedin. The first aircraft to land at Khartoum Airport at dawn on 21 March 1992 carried

108 Arab fundamentalists, including 16 Egyptian medical doctors under the orders of Mohammed Abdelmaatamid, leader of the Islamic group in the village of Tinda, which is divided between the two Departments of Assiout and El-Mounia. This group, now including 300 persons, is in Sudan, apart from Mohammed Chawki El Islambouli, its leader, whose whereabouts are not known.

The "Council of 40" of this group has decided to live and go through training at Oum Derman, where 210 members of the Algerian group "Mourad" are also located. The "Mourad" group had been in Pakistan and has joined the resistance groups known by the name of "Hizb Eddaawa."

The fundamentalist groups, which fled from Egypt during 1987, are known as "those who escaped from the fire." They were under the leadership of D. Magdi Essafti, until the bloody clash between the Egyptian police and the "Chawki" group.

The "Djahidyyoun" group, which has about 97 fugitives from Beni Souif, was led by Chawki Echeikh in January 1991. They are currently in the "Deugla" camp with about 106 Algerians who are members of the "Ettayeb El-Afghani" group.

This group, according to the same sources, has obtained high-quality training under the supervision of "The Guards of the Iranian Revolution."

Mohcene Readjaou, the commander of the Iranian Revolutionary Guard, had already supervised the training of Hizbollah militia members in Lebanon. In November 1991 he visited the "Deugla" camp.

There are 319 fundamentalists at the "Khartoum-Sea" Camp, divided between members of the Tunisian "En-Nadha" party and the Algerian Salvation Front, plus 29 others who belong to the "Ettakfir Ouâ-El-Hidjra."

This camp is called "El-Khandaq," a reference to the Battle of El Khandaq. It is supervised by Mohamed Abdelhafid, brother of the coordinator general of the "People's Defense Militia," whose members belong to the Sudanese Islamic Front.

Internal Affairs

Citizens Reportedly Still Awaiting 'Change'

93AF0245A Algiers LIBERTE in French 24 Nov 92 p 3

[Report by G.K.: "The Break Should Be Made Swiftly"]

[Text] *Belaïd's "steering wheel" does not seem to be taking us in the right direction. Are we slipping gears, or are we in a blind alley?*

The most recent televised performance undermined a little more of the confidence that Algerians had accorded Belaïd Abdesselam. The much-awaited break with the

old system will not occur, to judge from his statements. Boudiaf was truly only a dream.

One must admit that not only is a break with the old, iniquitous system still very distant, but also a shift into reverse gear already seems to have taken place.

How otherwise can we interpret these repeated assaults on the independent press, these measures restricting the activity of the opposition parties, and these attempts to keep the private sector forever in a secondary role?

And this is merely the beginning of the three years that Belaïd gave himself to carry out his program.

Then there are a number of inopportune decisions such as the dismissal of Mahi Bahi, which reinforced the feeling that "nothing has changed" and that in Algeria, "governments succeed each other and resemble each other." Average Algerians are not asking for miracles but merely for some indication of change—asking that a start be made at finding solutions to the many problems of their everyday lives.

As of now, one must admit that Belaïd Abdesselam's "steering wheel" does not appear to be taking us in the right direction. There is no indication—either by word or deed—of any break with the old system.

The problems of unemployment, the shrinkage of purchasing power, the public enterprises, and the foreign debt remain unsolved and may actually have become more severe.

On economic questions, the head of government could not be more vague. He assures us that he will find the 2 billion [dinars] for 1993, but neglects to say how. It is true that the average citizen does not concern himself with these technical details. The financiers and managers no longer have many illusions either, ever since the UGTA [General Union of Algerian Workers] was propelled into the status of principal negotiator with the government.

The UNEP [National Union of Public Entrepreneurs] has repeatedly refused to see itself relegated to the role of executing decisions that the Benhamouda-Belaïd Abdesselam duo has taken without its advice. In short, the father of the industrialization movement has—by his dogmatic rigidity—deprived himself of the support of civilian society. As for the man in the street, he is waiting to see what happens. The street, however, has many aspirants who are just waiting to take advantage of a moment of weakness. If Belaïd proposes to dissuade the street from these aspirations, he should perhaps attack the root causes of the unstable situation of which everyone is aware.

In a sense, this would be a commitment to establish that strong and credible state they have been telling us about for such a long time. Redha Malek recently observed that democracy paradoxically requires a strong state and "rules of the game that are clearly established."

If Belaid shares this conviction, he must certainly know that the advent of such a state is prepared by a credible executive power that is strengthened by the support of all active participants in society. Algeria can no longer allow itself the luxury of muddleheadedness and half-measures; the break must be consummated. Otherwise, all you will have done is prove that you cannot make something new out of something old.

Cooperation To Contain Islamists Discussed

93AF0245G Algiers EL WATAN in French 28 Nov 92
p 1

[Text] Egyptian President Hosni Mubarak met Thursday with Algerian Minister of Religious Affairs Sassi Lamouri concerning "the importance of better cooperation" between Egypt and Algeria vis-a-vis Iran, according to an Egyptian cabinet minister who attended the meeting.

Minister Mahgoub denounced the attempts by Iran "to export fundamentalist movements into the region" and emphasized the need for "opposing these movements."

The Algerian minister arrived Tuesday in Cairo for a four-day visit to coordinate the policies of Egypt and Algeria in the face "of the Iranian interference in the internal affairs of the Arab and Islamic countries."

For his part, Lamouri indicted that the discussions centered on matters relating to the Islamic aspect of the situation and the phenomenon of fundamentalism and deviation among our young people. He emphasized that appropriate programs are being developed to inculcate a genuine Islamic education in the younger generation.

"Algeria is making an appeal," he said, "for the services of certain professors, and will profit from their experience in training religious cadres in our institutes." "We have asked the dean of the imams of El Azhar to supply us with a group of teachers who have had experience in the Islamic Daawa and in Islamic education," Lamouri added. He said the plan had been favorably received.

On the subject of counteracting religious extremism, Lamouri explained that this phenomenon concerns not only Egypt and Algeria but also a number of regions in the world.

He said the West itself is experiencing phenomena of extremism of all kinds, and that they are even more violent and deeply rooted.

He said that although in our two countries—and especially in Algeria—these phenomena are not deeply rooted, that fact should not keep us from warning our youth in Egypt and Algeria against the kind of deviant behavior that has occurred in the European countries and elsewhere.

He also emphasized that each country must solve its problems with the means at its disposal. He said that for us in Algeria the problem has become one of security,

and that is why we do not tolerate religious or political extremism. He said that because the government is the guarantor of our national security, it is combating terrorism and all forms of extremism.

Constraints of Curfew on Press Discussed

93AF0262A Algiers EL WATAN in French 6 Dec 92 p 2

[Article by F. Metaoui: "Constraints for the Media"—first paragraph is EL WATAN introduction]

[Text] The Ministry of Interior communique concerning imposition of the curfew did not (forgot to?) include the media, most of whose work is done at night, among the special dispensations considered to ensure that public services are not interrupted.

This did not fail to raise questions on the part of media professionals, especially those of the written press, as the curfew considerably interferes with the printing of their newspapers. "We wonder why the press was not given the same special dispensations as other sectors. The curfew is bound to affect our daily work. We must now work faster and deliver pages earlier than scheduled. This means that we may miss important news," Mr. Ouandjeli, the LIBERTE editor, stated. The JOURNAL editor, Ahmed Halli, agreed: "Starting today, we must finish the newspaper earlier than usual, i.e., before 2030. That is because we must think of the technical staff and journalists who have to get home. This will not prevent us from asking the authorities why the press was denied the benefit of the special dispensations granted other services," he said. The curfew imposes more constraints on evening [sic] dailies. These newspapers are usually finished off early in the morning (often before 0500). "In June 1991, the press was able to obtain permissions to go about in the evening. This time, it seems they forgot. Before the curfew, the editor would come in at 0300 to give the remaining pages. Now, he cannot come in before 0530. It goes without saying that the remaining pages must be reduced as much as possible if the newspaper is to be finished by 0830 and reach the stands in time," Mr. Boughanem, the SOIR D'ALGERIE editor, told us. The radio and TV sector seems to share the same concerns.

Newspapers Punished

At the ENTV [National Television Enterprise], the news departments are considering rescheduling their broadcasts to enable journalists and the technical staff to work normally. "The problem, however, is acute in the case of the evening news (usually broadcast around 2300). Journalists and technicians must spend the night at TV headquarters. We have the same problem with weekend morning editions; if they are to be broadcast at 0830, we must get them ready before 0500. We have asked the ENTV general directorate to try and find a solution for the staff who have to travel at night," an editor indicated. As far as the radio is concerned, Mr. Sayedi, the

Channel 1 (ENRS [National Enterprise of Radiodiffusion]) assistant editor, indicated that right after the Ministry of Interior communique was published, the ENRS general directorate was asked to obtain authorizations for the staff traveling at night. At Channel 3, an emergency solution was adopted, Mr. Abdous indicated. According to the Channel 3 editor, journalists were asked to stay over for the night in order to prepare the first morning editions. "After that, they will get one or two days off. This is the best solution to keep us working as usual."

At the center printing shop, according to Mr. Hamrouche, technical manager, authorizations and mission orders for the evening teams were already prepared yesterday and signed by Hussein-Dey police officials. Similar provisions were made at Transcom (a newspaper distributor): "We want to do our work as normally as possible. We find it unthinkable that a newspaper should be punished. All newspapers must reach newsagents as usual," an official indicated.

At the Ministry of Communication and Culture, spokesman Mr. Hedroug (director of communication) indicated that news editors must submit lists of employees working exclusively at night. "These lists must be sent to the Algiers governor in charge of security for authorizations to be issued," he indicated.

Uneven Enforcement of Curfew Noted

93AF0262B Algiers EL WATAN in French 6 Dec 92 p 4

[Article by Tahar Hani: "Sullen Atmosphere"—first paragraph is EL WATAN introduction]

[Text] The atmosphere in the capital was sullen yesterday. Slowly but steadily, the main avenues were getting empty toward the end of the afternoon.

A few merchants chose to close up shop straight away. Traffic was light compared with the days before, when Algiers avenues were all jam-packed with cars. The effects of the curfew, it seems, became obvious well before the appointed time (2230).

Curiously enough, the principal barricades set as usual by the police and antiriot squads at the main crossroads and other intersections in town were removed. Some were moved to other locations, others just removed. Will these forces redeploy elsewhere, or will they be replaced by special troops in charge of enforcing the curfew?

At any rate, until late in the afternoon, no troops were deployed in the capital. Only the crossroads assumed to be dangerous and located mostly in Algiers suburbs (Draria, Baba Ali, Baraki, El Achour, etc.) were occupied by gendarmerie forces. Two mobile patrols of the army special forces were checking traffic in and out of built-up areas. According to a member of the military, "It's only toward the evening that the security system will be reinforced. On the other hand, during the day, we try to

maintain a continuous check of the capital suburbs, as it is often through them that terrorists enter the town."

But what is the use of a curfew in a country where people instinctively go back home early? To this question, the same individual answered that "this decision would only make the people safer by sparing them the worst unpleasantness. But it would also force terrorists to drop their masks, for we know full well that there are citizens who collaborate closely with them and support them in various ways." On the street, the curfew was the subject of many discussions. Many young people are convinced that it is useless. They consider that they have been living under a curfew for years already. "We never stayed out later than 2000 since there is nothing to interest us. The capital has no night life. No cafes are open, and there are no other entertainment places that we could afford. For us, therefore, this changes nothing. Curfew or no curfew, we do not care," they answered. Other citizens, living in remote areas, are worried that they might have to go out in case of an emergency (serious illness, accident, death, etc.). "We don't know what to do, nor how to do something," an Eucalyptus inhabitant told us.

"We have no telephone that would enable us at least to alert security services, no vehicles to go to the police station and get an authorization to travel at night. Frankly, we are perplexed by such a situation."

A young Islamist woman was strongly convinced that the curfew cannot possibly solve the problem. On the contrary, it will make it worse. What will the curfew period eventually have in store for us?

Could it constitute the last stage in the struggle to end terrorist activities?

FFS Leader Reacts to Curfew

93AF0262D Paris LE MONDE in French 10 Dec 92 p 5

[Article by interim correspondent in Algiers: "Algeria: After the Imposition of the Curfew, Dialogue Between the Government and Political Forces Is at a Standstill"]

[Text] The people seem resigned to put up with the curfew that was imposed on Algiers and six border departments on Saturday 5 December, and most political formations have adopted a wait-and-see attitude. However, Mr. Ait Ahmed's Socialist Forces Front [FFS] decided to suspend its participation to any dialogue with the government. In a communique, it estimated that "security is actually used as an excuse to stifle all political opposition and all organized anti-government activity (...) at a time when democratic legitimacy is a pressing issue" (LE MONDE, 9 December).

Although it never concealed its reluctance to support a government whose legitimacy it questions, the FFS nevertheless reluctantly agreed two months ago to start a dialogue with the Higher State Council (HCE). By distancing itself again from the collegial presidency, it

clearly indicated that conditions no longer warrant negotiations that are increasingly less credible, and that a strategy of rupture might pay off in enabling the FFS to retake political initiative in the field.

Leaden Silence

The former prime minister, Mr. Kasdi Merbah's Algerian Movement for Justice and Development [MAJD] and Mr. Nourredine Boukrouh's Algerian Renewal Party [PRA] also reacted. For Mr. Merbah, imposition of the curfew might be motivated "by the desire to put pressure on political parties, the media, labor, and the citizens to pave the way for an economic and social system motivated by the lack of foreign credits." As for Mr. Boukrouh, he said he was convinced that "a policy other than isolation and force is possible in order to restore peace and economic momentum."

So far, the curfew was not marked by any noteworthy incident. The people shut themselves up at home. Rumors concerning raids in certain districts and the fear of possible police blunders incite them to be prudent. Algiers, which lost its taste for quiet evenings at home a long time ago, now plunges at night into a leaden silence hardly troubled by police cars making their rounds.

Although this is not publicized, mixed police and military units arrest many Islamist sympathizers under cover of the curfew. But the government has chosen not to effect a spectacular deployment of tanks and police forces as was the case during the first two curfews, in October 1988 and June 1991.

Armed Group Arrested; Bomb Factory Uncovered

93AF0245D Algiers EL WATAN in French 26 Nov 92 p 5

[Text] (APS [Algerian Press Service])—A laboratory for the small-scale manufacture of bombs was discovered this week by the security services of the wilaya of Constantine at a place known as "Fedj Errih" on the heights of the Emir Abdelkader district.

A group of seven individuals was arrested by these services, three of them in an armed skirmish that resulted in one of the terrorists being wounded.

This operation—which was designed to dismantle the terrorist group—led to the seizure of a substantial quantity of chemical materials and products being used to manufacture bombs and explosives on a small scale. The operation led to the discovery of handcrafted bombs based on TNT, gelatinous plastic, quantities of phosphorus and sulfur, 70 meters of detonating cable, 50 meters of slow fuse, timers, automatic pistols, a grenade launcher, military ammunition, and communications equipment. The group of terrorists was presented to the national press yesterday afternoon by the security services, who have been on the offensive since last summer and now control the region that had become the terrorist relay between the cities of Algiers and Blida.

Means To Fund 'Terrorist' Activities Discussed

93AF0262E Algiers EL WATAN in French 6 Dec 92 p 5

[Article by Ahmed Ancer: "Terrorism: The Other Face"—first paragraph is EL WATAN introduction]

[Text] "The connection between terrorists, organized crime, and black-market operators has been clearly established. Large drug quantities were found on arrested terrorists who operate in collaboration with major and minor delinquents."

The author of these statements, Mr. Tolba, the minister delegate to security, did not supply any further details to the APS [Algerian Press Service], which interviewed him last Wednesday.

What is the extent of this partnership? At what levels in the hierarchy does it occur? If the accusation is justified, is the FIS [Islamic Salvation Front] leadership (the Majlis Echourra [FIS advisory council]) responsible for this interpenetration of the interests of Islamists, smugglers, and organized crime? The future will answer these and many other questions.

For the time being, we can only mention a few rather significant facts established and verified at national and international level, pointing to collusion between terrorism and the various fringes engaging in minor and major delinquency. The main reason accounting for such convergence of interests is the fact that funds must be raised to plan and carry out terrorist attacks. To make a bomb and take it to the location where it will explode, to acquire an automatic weapon and the necessary ammunition, to travel, to set up hideouts, to pay the armed elements, and for many other purposes, terrorists must find new financing sources every day. There always comes a time when they choose to use extreme means, deemed faster and more efficient, to raise funds. Holdups, which often leave behind innocent victims, and the dirty money obtained through drugs and smuggling, etc., are then taken into consideration like any other financing source.

Thus, the money collected in mosques eventually gets mixed with funds stained with the blood of victims, obtained through holdups or the sale of drugs that devastate the most disadvantaged sections of the population.

The connection between drug networks, organized crime, minor and major delinquents, and Algerian terrorism is possible, especially because the FIS, in particular, counts in its ranks many citizens with long criminal records. Some of the terrorists killed or captured were ex-convicts. Certainly, they could not form the majority of the Islamist party's militant rank and file. Nevertheless, some of them held relatively high positions in the Majlis Echourra hierarchies of some wilayat, and there was at least one of them in the FIS national Majlis Echourra. An ex-convict will not necessarily spend all his life on the fringe of society. Some criminals reintegrate

society and become again honest citizens. But that is not always the case. Some do become repeat offenders, and we should not rule out the temptation to get even with society for rejecting and imprisoning them.

At the international level, we know that when Western financing sources dried out, Afghan mojahedin did not hesitate to turn to "white death" dealers to get the funds required to maintain their militias and buy weapons. In Latin America, the same phenomenon was observed among extreme-left organizations.

In Europe, the skinheads—a fringe living off petty crime and drugs—are connected with extreme-right fascist or fascistic parties and movements. Generally speaking, when people have reached the point where they openly express attitudes of exclusion and intolerance, and then go over to terrorism to implement them, dirty money no longer poses a problem of ethics or conscience for them.

'Terrorist' Victims Begin To Collect on Insurance
93AF0253A Algiers LE SOIR D'ALGERIE in French
14 Nov 92 p 3

[Article by Hassina Amrouni: "Terrorist Victims' Beneficiaries Indemnified"; first two paragraphs are LE SOIR D'ALGERIE introduction]

[Text] Two years have passed since the first day Algeria found itself caught up in this whirlwind of violence. These have been two years in which hundreds, even thousands of people gave up their lives on the altar of the absurd.

In their wake the tears of widows or orphans still flow, the memory of the horror still being ever present.

Algiers (LE SOIR D'ALGERIE)—To that end, the government has taken the initiative to assist all the victims of this blind terrorism or their beneficiaries by expanding the FSI (Special Indemnification Fund).

Since 17 September 1992, as part of the implementation of government circular 168/DAB/SP/MDT, this fund, which was created in 1974 and charged originally with providing compensation to people injured in traffic accidents, has been opened up to victims of terrorism beginning on 1 January 1990 who were uninsured.

So for more than a month, files have begun arriving at the FSI's offices, located at the Algerian Insurance Company [SAA] headquarters, and among the 38 files pertaining to deaths and permanent incapacities, a large number of them are still unfortunately incomplete because an important piece of evidence is lacking, especially the written record of the investigation.

As for the other 40 files, which have arrived for reparations for material damages, only three fulfill the necessary requirements.

To this end, last August victims of the altercations in Khazrouna (in the Blida wilaya) found it necessary to

submit their requests for damages via a delegation that went to SAA headquarters, located on Boulevard Che Guevara.

However, their files have not yet been formally constituted.

Regarding physical damages (deaths, infirmities, etc.), the indemnity table appended to law 88/31 dated 19 July 1988 was taken as the basis for calculations.

So in the case of a death, the family of a decedent will be indemnified on the basis of a certain number of points corresponding to the victim's income, then multiplied by 100.

For unsalaried victims, these calculations will be done on the basis of the national guaranteed average salary (SNMG) multiplied by eight.

However, with regard to material damages, the indemnification will only be partial since the state will help repair the damages.

Unlike the other actions that have been taken, this effort to indemnify the victims of terrorism does not suffer from all of the bureaucratic slowness that has marked our governments for several decades.

Indeed the payments are made within two or more weeks at the most.

Undoubtedly this indemnification cannot replace a human life but it is at least one positive step by the Algerian government to help grieving families soothe their wounds.

State Response to 'Terrorism' Criticized

93AF0253D Algiers LE SOIR D'ALGERIE in French
14 Nov 92 p 5

[Article from APS: "Victims and Murderers"]

[Text] "In the face of terrorist acts of which representatives of the security agencies, defenseless citizens, and state workers are the victims on a daily basis, the silence of one segment of the partisan press and of civil society is a disgrace for a people known formerly for its bravery, courage, and involvement," the association of national security retirees of the western wilayas stated.

In a communique delivered Wednesday to APS, the association stated that "the slowness that appears to characterize the unfolding of the cases against the perpetrators of these misdeeds and the nonenforcement of already rendered sentences in our eyes constitute an encouragement to these murderers in their tenaciousness and determination to continue to attack everything, which represents law and order with impunity."

"The government's wait-and-see attitude," the association added, "runs the risk of calming in our mind rumors, which have already been circulating for some

time, regarding a certain mediation that has been reported in certain press organs."

For this association, "these statements, which have not been denied and have been supplemented by appeals for dialogue that put victims and murderers on an equal footing, elicit on our part a legitimate concern and certain apprehensions with regard to the state of mind of our colleagues still serving in all branches, [who] might be tempted into believing that their sacrifice was useless and their involvement in vain."

"There is the risk that this situation, which has reached an intolerable level, will lead to uncontrolled reactions. That is why if you sit and wait, you have involved your direct responsibility in the commission of these crimes and share their perpetrators' responsibility," the communiqué says further.

Businessmen Express Concern Over Instability

93AF0262C Algiers EL WATAN in French 6 Dec 92 p 3

[Article by special correspondent in Bari, Italy, Kamel Benelkadi: "European Reservations"—first paragraph is EL WATAN introduction]

[Text] "Algeria is a high-risk country" and it does not show any sign of recovery, at least as far as security is concerned. Such was the consensus among European economic operators meeting in Bari (southern Italy) on 3-4 December, at the seventh Europartnership fair.

Contacts between Algerian businessmen looking for potential partners and their foreign counterparts were only very tentative and sometimes accompanied by thinly veiled apprehensions. Many discussions dwelt at length on legislative aspects and on the Algerian context, which gives an impression of instability.

The vagueness of some legislative texts, in particular the code of commerce, and the nonpromulgation of the investment code did not help. Clear answers were not always provided to the questions asked by some European operators, who want to have all of a country's economic data before making any commitment.

It was not easy to find convincing and penetrating arguments to explain the "inconsistencies" of our taxation system, the burden of an unwieldy administration, and the frequent changes in banking procedures. The Algerians were visibly embarrassed as they attempted to clear misunderstandings and to persuade potential partners that, although the country is having a rough time now, that does not mean that it is bankrupt, as some Western media would have it.

Did the message, delivered with much tact and diplomacy, manage to reassure? In the present state of affairs, the question will remain hard to answer, to say the least, as long as the fundamental problem remains concealed under vague decisions.

Mr. Ben Amara, manager of the Ben Azouz cannery and the "BAL" [expansion not given] group of private businesses, admitted that there is a huge amount of work to be done: "Through our presence, we try to explain all the points that are not clear to our potential partners and to dispel their fears." The main thing is to restore confidence by answering unequivocally the operators' most relevant questions.

Mr. Rahmani, manager of a clothing and underwear company, was quite blunt: "Initiatives of this type, supported by the FINALEP [expansion not given], are commendable, but unless the State implements simplified management mechanisms, planned partnerships will get nowhere. How can you expect them to work when procedures change every day and the administration rejects flexibility...."

Mr. Ouahmed Larbi, manager of Dekorex (composites) was more forceful: "Partners are not lining up; they know Algeria. I believe that with a flexible administration, an attractive investment code for Algerian and foreign capital, and several events like this one, we might form potential and effective joint-venture partnerships. Contacts were made in Bari; still, I felt the foreign operators' need and determination to enter the Algerian market."

In Bari, cooperation with Algeria was not mentioned—at best, lip service was paid to it—while the Tunisians and Moroccans seemed to be off to a good start. This is what transpired from a few seminars on transnational cooperation as a tool to increase the competitive edge of businesses.

The Algerian booth enabled some foreign operators to get a general idea of our potentialities, and Algerians to fill their address books. Thus, future meetings may lead to genuine partnerships, but even then, it will depend on future social and economic developments in Algeria.

Reasons for Suspending Judicial Officers Discussed

93AF0243B Algiers EL WATAN in French 16 Nov 92 p 4

[Article by Ahmed Ancer: "Judicial Officers Suspended: the Reasons"]

[Text] Before being removed from his post as minister, Mahi-Bahi suspended a total of seven judicial officers. The first to be targeted by the protective measures were the prosecutors in Mecheria (Naama Governorate) and Bougaa (Setif Governorate).

Twenty days later, around 10 November, more suspensions were ordered, this time affecting five other judicial officers: Sayah, federal prosecutor of the republic on the Algiers Court; Mohamed El Hadi Berrim, presiding judge of the Mostaganem Court and president of the Union of Judicial Officers; and three presiding judges of courts in Mostaganem.

Sources close to the Ministry of Justice say that in all seven cases, the suspensions were based on findings by inspectors sent to each location. Sayah and Berrim, who are by far the most important of the seven, were, like the others, visited by the inspection missions before the suspension orders were issued. It was an inspector general from the Ministry of Justice with 30 years' experience in the judicial branch and the administration of justice who wrote the report on the way in which the court in Algiers was being managed, according to a source close to the body of judicial officers.

The conclusions reached in that report were reportedly quite harsh. The report is said to have found that besides the mess in the conduct of the court's affairs, there was also mismanagement of, among other things, state's evidence (gold, drugs, and so on) seized from defendants and held by the court as part of its activities. It is estimated that from 2,000 to 3,000 kg of kif were found in the Algiers Court, even though regulations require that drugs be destroyed on the same day they are received. The report is also thought to mention the breaking of seals on an apartment and that the individual responsible was the prosecutor. It is true that he did so on behalf of another judicial officer, but it is noted that such an act is not legal.

It will be noted in this connection that it is not the judicial officers who are attracting attention—anyone can [as published]: the Algiers Court was not particularly diligent in dealing with certain cases. The investigation of the case involving the 26 billion [currency not stated] is practically a judicial farce, and Sayah must necessarily be responsible in one way or another. A single examining magistrate, Saada—the senior magistrate—was obliged to investigate all at the same time the entire package of cases handed over by the APN [National People's Assembly]—a total of 30 dossiers. A separate examining magistrate should have been assigned to each of those dossiers. When the press reported that strange attitude, the court was generous enough to appoint four other judges to help Saada. Still far from enough! After working for over a year on the case involving the 26 billion, Saada was suddenly and suspiciously removed and put in charge of investigating the assassination of Boudiaf!

Union Dissatisfaction

Mahi-Bahi's departure was no doubt due to his suspension of Sayah, who reportedly has very powerful protectors in certain spheres. In this connection, it is pointed out that the minister ought to have been patient and above all to have taken a few precautions. The steps taken are described as hasty and inopportune. The fact that they were countermanded is said to be proof of that. It is reported that a previous attempt to "dislodge"

Sayah from the Algiers Court was made back in Benkhellil's time when the rotation of judges was being proposed. That attempt failed, with Sayah reportedly being rescued at the last minute. It is pointed out that there is currently grumbling among the judicial officers because there has been no rotation for the past three or four years. The temperature will certainly be evident during the meeting scheduled by the union's members for next Thursday.

Concerning Berrim, the inspectors are said to have registered several complaints, namely in connection with instances of improper intervention in the distribution of cases (the assignment to the various judges of cases to be tried or investigated). Those instances of intervention were said to have occurred both in the court over which he presides and in lower courts. Such intervention—which is described as abnormal (even though Berrim was backed by the ministry) because, it is noted, caseloads are distributed once for the entire year—reportedly brought Berrim into conflict with the presiding judge of the Mostaganem Court, who himself is president of the local branch of the Union of Judicial Officers. Even more serious, Berrim is said to have been responsible for one or more cases of arbitrary arrest and for the unjustified dismissal of cases. It is also pointed out that Berrim's term as president of the union expired in May 1992 but that he refused to be replaced. Several union branches have reportedly expressed their dissatisfaction in that connection. The three suspended judges in Mostaganem and Berrim are reportedly guilty of actions violating regulations and the law, including, it is said, indecent assault.

The prosecutor in Mecheria was suspended for using his office to obtain an apartment, which he then transferred to a private citizen. The prosecutor, who still lives in an apartment in the courthouse itself, wrote to the governor of his district requesting that he be given an apartment, his reason being that his living quarters were needed to provide new office space required for the administration of justice. The governor granted his request and gave him an apartment. Instead of occupying the unit thus obtained, the prosecutor immediately transferred it—most certainly in exchange for payment. And he is continuing to live in the apartment located in the courthouse. The matter became known, and it has been referred to the authorities.

For his part, the prosecutor in Bougaa was suspended because of charges that seem even more serious, namely misappropriation of funds. Our sources told us that based on concordant complaints filed by citizens, an investigation of his conduct was ordered, with the result that the truth of the complaints was confirmed. The prosecutor in question, in collusion with a representative of the law (undoubtedly someone concerned with defense), was extorting money from citizens having dealings with the courts.

ADB To Consider Financing Dam Project*93AF0245F Algiers LIBERTE in French 21 Nov 92 p 4*

[Article by Correspondent A. Debbache]

[Text] The African Development Bank [ADB] appears to be interested in financing projects for Algeria. In this connection, the Koudiat Asserdoun Dam is the first dam to be financed by the ADB for Algeria. The financial analyst Mr. Akkou and an engineer in charge of the project for the ADB met in the wilaya of Bouira to evaluate the progress of the plans for the project.

The local authorities and representatives of the National Dam Agency (ANB) were also present at the meeting, in connection with estimating the cost of the dam. The detailed preliminary study for the project has been completed and will be transmitted to the ADB by the water projects directorate on 14 November [as published].

The reservoir of the dam is located in the municipality of Maala, daïra of Lakhdaria, wilaya of Bouira. It covers an area of 1,930 hectares and will have a capacity of 650 million cubic meters. The project will increase the supply of drinking water and irrigation water to five adjoining wilayas—Bouira (Lakhdaria, Kadiria, Sour El-Ghozlane, Bir Aghbalou, Ain Bessem); M'Sila, 13 million cubic meters per year (Sidi-Aissa, Ain Hdjel); Tizi-Ouzou, 6 million cubic meters per year (Draa El-Mizan, Boghni les Ouadhias); and Medea, 31 million cubic meters per year (Boughezoul).

This dam will make a major contribution to agriculture for food production. A total of 6,000 hectares will be irrigated, including 1,000 acres in the wilaya of Bouira. Water from the Oued El-Khel (Ain Bessem) Dam will be allocated for irrigation on the Plain of the Aïr, which covers an area of 2,200 hectares and is equipped with irrigation systems. It should be noted that this region currently suffers from a water shortage. Although the technical experts estimate that the region needs 11 million cubic meters per year, because of the insufficient rainfall the technical services of the wilaya have been allocated only between 5 million and 6 million cubic meters per year since 1988. For 1992, the insignificant quantity of 2 million cubic meters was reserved for the irrigation of this important plain.

During the visit to the site by the wilaya-ADB-ANB delegation, emphasis was placed on the impact that the project will have on the erosion of the hillside reservoirs, on the reduction of the deposits of solid matter downstream from the dam, on the fauna and flora, and on the water table.

The directorate of water resources says that the study, "Wilaya Water Plan," has been completed. This study was designed to establish future medium- and long-range scenarios for the allocation of water, based on the principal plan for the Koudiat Asserdoun Dam that has been drawn up by the Ministry of Equipment. According

to the same source, an agreement in principle has been reached for an additional allocation of water to urban areas (the capital), communes, and a group of communes (nine communes in the Northwest and 10 in the Southwest).

Provision has been made for the release of between 30 million and 50 million cubic meters of water into the Beni-Amrane reservoir to supply the Kedara Dam. The owners of property on this site estimate their cultivated area at 1,612 hectares, in addition to 30 developed hectares which will be compensated. The 234 families whose property is thus expropriated will be taken care of within the framework of the implementation of the project, and new housing will be placed at their disposal.

Division, Controversy Over Economic Policy*93AF0253E Casablanca LA VIE ECONOMIQUE in French 27 Nov 92 pp 12-13*

[Article by Jamil Bennis: "Algeria: The Market Economy...Directed!"; first paragraph is LA VIE ECONOMIQUE introduction]

[Text] The government is seeking the advantages of liberalism minus the disadvantages. This is not easy.

Belaïd Abdesselam, the Algerian prime minister and the country's father of industrialization in the 1970's, has some big problems. The man who was the great organizer of the public sector and the most powerful minister—he was in charge of the energy and industry portfolio—is no longer up to the mark he set twenty years ago when Boumedienne was the patron of every state institution and dollars filled the state treasury's coffers to overflowing.

Today Belaïd Abdesselam has been brought back into public life at a time when the economic picture is one of dilapidation, when the political standoff between the Islamic Salvation Front [FIS] and the government, in the wake of a new wave of attacks, is turning into a civil guerrilla war, with police and security forces being unable to truly "eradicate" terrorism, as the commonly used expression puts it, a phenomenon whose violence is seen practically every day in the murders of police officers and gendarmes.

So it was against a backdrop suggesting the final days of a government that Belaïd Abdesselam drew up a drastic austerity plan, his "famous" "war economy" whose real effects are expected beginning 1 January 1993. On that date the import of "luxury" or "second priority products" will be banned. There will be no more Moroccan Coca-Cola or Egyptian Mars [bars] or pineapples or Italian electrical home appliances or Japanese air conditioners; as of that date Algerian consumers will have to make do with local production only, which has been disparaged to such a point that it does not easily attract buyers. The expected effect of these measures, aside from cash savings in the neighborhood of \$600 million,

will be the rescue of entire segments of the economy that are threatened by competition from products originating abroad.

Despite these measures, Algerians are convinced that the only way to put an end to the black market is to put goods in the stores in quantity and quality. Now the big plants that manufacture refrigerators, television sets, and industrial vehicles are very big consumers of hard currency, since more than 80% of what they use comes from the West, mainly France, Japan, and Italy.

Algeria, which at this very moment is negotiating a reprofiling agreement to include a deferment of its debts due in the amount of close to \$2 billion, will find this very difficult to do if we remember that the \$1.5 billion agreement negotiated by Mouloud Hamrouche, the first reform minister, was only put together with the help of the Credit Lyonnais, which shepherded it through by managing to interest more than 140 foreign banks in the operation. That was in 1990, economic policy was decidedly liberal, and the situation, which was marked by a multiparty political system, was, to be sure, a complicated one threatened by the FIS's backward-looking and completely unrealistic ideas, yet it was still infinitely less dangerous than the situation prevailing today, in which we see [the forces of] terrorism not just resisting the forces of law and order but striking back blow for blow. The security situation has a direct influence on the economy, especially when the current prime minister, despite his liberal program and his statements of intent in the direction of the market, cannot manage to shed his authoritarian and planned economy reflexes.

A New Profile or Rescheduling?

In the space of 15 days, at the end of this sunny autumn, Belaid Abdesselam has managed to displease everyone, first by removing his justice minister from office, a man nicknamed Mr. Clean, because he had made the anticorruption fight a priority, and then, at a press conference held in front of television cameras, by attacking the independent press, which was "being paid for from abroad."

The public protest was immediate and the attacks on Belaid Abdesselam in newspapers were violent and ablaze with anger. Even the prime minister's statement regarding his refusal to devalue the dinar by 50%, which, according to him, was one of the IMF's conditions, was denied by the press, which did not fail to catch him in an out-and-out lie, since the discussions with the Washington institution had indeed taken place, though no agreement had been reached.

Worse than that, government operations have been destabilized by the polemics, which were recently rekindled by Ali Benouari, a former treasury delegate minister, over [the issue of] rescheduling, the very notion of which has been totally rejected by Belaid Abdesselam, who has cited the loss of sovereignty implied by this resetting of the economic machinery.

According to detractors of the reprofiling technique, and there are many of them, this approach would be a leap into the dark, which would basically solve nothing, because the amount of money to be paid, service on the debt, is deferred for the short term and if "we breathe today, it's so we can strangle better tomorrow."

For Ali Benouari and Hocine Benissad, a former economics minister, an honest, determined solution would be better, one that would have the distinction of being clear rather than imitation responses whose efficacy has not been proven. In a long plea on behalf of rescheduling published in a daily newspaper with a very big print run, 130,000 copies, Ali Benouari cited the example of Morocco which was successful, with SAP [Structural Adjustment Program] I and II, its two structural adjustment plans, in cleaning up its finances, treasury, and budget, even if the repercussions in the social sphere were sorely felt.

The RCD, the Rally for Culture and Democracy, promptly rushed to support rescheduling advocates saying that it was "inevitable." So it is in a poisoned environment corrupted by the backstage struggle for power that Belaid Abdesselam is attempting to convert to a market economy—he is asking for a three- to five-year wait—while at the same time stating that he wants to hold on to "the steering wheel," i.e., convert to the market through planning.

This new directed market economy concept suffers from the major disadvantage of wanting to let the Algerian economy benefit from the advantages of liberalism without suffering its disadvantages.

Reviving Cadavers

In this regard, the government's strategy seems to be to pay for the huge service on the debt down to the last cent, something that would mean paying back \$9 billion in 1993, and live parsimoniously on the remaining \$3 billion. This "economic naturalism" and this "popular intifada against corruption," which are Belaid Abdesselam's slogans, run the risk of exciting little enthusiasm among the people, especially among young people who make up most of the legions of the unemployed, while the ONS, the National Statistical Office, has recorded 105,000 new unemployed for the year 1992, a figure that will swell dramatically as soon as the measures anticipated in the new 1993 finance bill are implemented and will deprive those in the underground economy, people who deal in contraband, especially clothing, of their resources. So the economic situation is potentially explosive, especially when one thinks that the underground economy in one way or another helps feed between 1 and 1.2 million people. Very quickly Belaid Abdesselam, a now isolated prime minister, will have to prove that he is the man of the hour and that he will be the one to get economic growth, which is currently negative, moving again. The expected promulgation early next year of the new commerce code will create more problems than it solves.

Indeed for the first time publicly owned businesses, which were not affected by the old commerce code, could suffer bankruptcy if they are not cost effective. Thus far only privately owned businesses were subject to that ultimate penalty.

Several weeks before the law's new conditions were put into effect, the General Union of Algerian Workers [UGTA], the main union confederation, let it be known that it would not allow any staffing cuts since, according to the union, workers should not have to pay the price for the policy mistakes of governments which have come and gone from independence up to the present. So the iron hand is inescapable and clear, all the more so since the government no longer has the means, to use the prime minister's adviser's expression, to keep on "reviving cadavers."

Socialism From the Breast

Torn between his concern to preserve the state public sector intact and the obligation he is under to get the economy moving again according to management standards that are now universal, in addition to going against his principles Belaid Abdesselam fears he will soon have to confront those workers, whose most ardent defender he was at the time of "socialism from the breast," when the economy was showing annual growth rates of 7% owing to the double coincidence of a price of \$40 per barrel and an overheating of the machines turning out banknotes, something that generated huge cuts.

A 30-year leap forward has just come to an end with a thud. The bottom line can be summarized in one sentence: Algeria, a rich country, is in ruins. Its future is very bleak: a people that was once [our] friend, whose citizens were "brothers," is locked in a ruthless battle to accomplish two social projects that are diametrically opposed: the democrats—that is what they call themselves—are in favor of setting up a society of progress and modernity, while the "fundamentalists," a term they shun in place of "Islamists," are in favor of setting up a "dawla islamiya."

The next economic deadlines, and the way in which they are dealt with and overcome, will give comfort to one or the other parties to the conflict. Algeria, a real heart-breaker [of a country], has not stopped making its children cry.

UGEA Criticizes Economic Policy

93AF0245B Algiers LIBERTE in French 25 Nov 92 p 1

[Text] *"The economic policy being followed today is a step backward for the nation," Algerian entrepreneurs declare.*

"The chaotic economic situation afflicting our economy in general—and the BTPH [Construction and Public Works] sector in particular—does not seem at all to bother our decisionmakers, who clearly demonstrate a dangerous double or nothing' propensity when it comes

to the EPL's [state enterprises] that they want to keep alive at any cost by a process of permanent transfusions," according to a statement released to the press yesterday by the General Union of Algerian Entrepreneurs (UGEA) denouncing the economic policy of the Abdesselam administration. The statement is especially apprehensive of the consequences of the steps taken to favor one sector over another, all the more so because the government obviously has neither a policy of living within its means nor the means to support its policies.

The UGEA explains that it would not have been surprised at this new equation adopted by the present government if there were plenty of money in the State coffers.

The major unknown quantity is still the source of those 12 trillion centimes that would be grafted—among others—onto the CNAS [expansion not given], the Treasury, the banks, and so forth, together with the cost overruns once the projects are abandoned after several months of frustration.

The following questions are therefore being asked:

1. Where is this large sum coming from?
2. What assurances are there of the success of such an operation?

Above all, however, if these enterprises fail to recover despite having gobbled up this colossal sum, what will the recommendation be regarding the so-called "social peace"?

In the opinion of the UGEA, the economic policy being followed today is a serious step backward for the nation. This halting approach adopted by the government threatens to destroy all hope of recovery at a time when the efforts of all participants in the national economy are converging toward a single objective, namely that of "accepting the challenge and showing Algeria's enemies that its sons and daughters are capable of discharging their responsibilities."

The UGEA is therefore repeating the appeal to "reason" it has made to the government authorities, requesting that a serious dialogue be organized and inviting the head of government to assume responsibility for the problems of the sector without any type of discrimination.

Mismatch in Job Skills 'Increasing' Unemployment

93AF0245C Algiers LIBERTE in French 19 Nov 92 pp 1, 24

[Article by Anouar Aoudia: "White Collar Workers Who Are Left Out"]

[Text] *At a time when the rate of job placement is only 20 percent nationwide, 74,000 university graduates are chomping at the bit, waiting for a job to rescue them.*

Just as the official figures advertised with such ostentation during the 1970's promised the public a rosy future, so do those announced today—almost furtively—reflect disillusion. It is a striking paradox.

Whereas the 1970's figures promised an assured emergence from underdevelopment, today's figures indicate that the situation has become even worse. Yesterday the talk was about investments, job creation, and opening factories, schools, and universities. Today it is about the debt, layoffs, and unemployment.

Whereas yesterday someone who was barely literate could see the gates of success opening before him, today even university graduates must lower their expectations. A diploma no longer guarantees success to its holder.

In fact, the number of unemployed university graduates in 1991 reached the appalling figure of 74,000.

This figure represents an increase of 8.6 percent over the total for the previous year—an indication that access to employment is not imminent and that the situation threatens to get even worse.

According to Mr. Boulahbal, an official of the National Planning Council, only 9,000 jobs were available at the beginning of the 1991-92 academic year, at a time when the number of new graduates had risen to 40,000.

The 9,000 job offers were limited for the most part to the civil service.

The situation of these "wandering" cadres is all the more disquieting in that the nation—all sectors combined—suffers from a chronic deficiency in the job placement rate, which is probably no more than 20 percent. According to the sociologist M'hamed Boukhobsa, who is also a member of the National Advisory Council, in some sectors it is only 2 percent. Under these conditions, how can we expect to see our enterprises turn in positive performances and the civil service attain a level of organization that would make it possible to lighten the burden of bureaucracy?

Moreover, when you realize that the training of these cadres has consumed a great deal of investment capital, you have to acknowledge bitterly that the situation is a sorry mess.

This fact also raises the question of the education of the cadres itself, which often is not job related. At a time when the nation is in a bad way with respect to a technical workforce capable of reinvigorating the enterprises, it continues to "put its money" on the social sciences, inasmuch as more than 40 percent of the graduates are oriented toward that branch of learning. According to Ahmed Sayem, director of the National Employment Agency, "the social and human sciences are incapable of responding to the labor market, whereas the current needs of the enterprises are focused on education in the exact sciences." To mitigate the scope of this curse, Mr. Berkani, head of the Training and Labor Department of the National Planning Council, has

emphasized that his department "will strive to encourage economic investment." An appeal is also made to the "possessors of knowledge" to enter the field of private enterprise.

A number of them have already understood this, and are today taxi drivers or domestic appliance repairmen. To create business enterprises, however, just having ideas is not enough.

Factors Influencing Rescheduling Debt Discussed

93AF0244A Algiers EL WATAN in French 18,
19 Nov 92

[Article in two installments by Ali Benouari, former minister delegate for Treasury: "Rescheduling Inevitable?"; original paragraphing not strictly followed]

[18 Nov pp 13-15]

[Text]

Honoring its commitments costs Algeria some \$9 billion annually. In that context of Algerian indebtedness, the option has been to "reprofile" the external debt. Here former Minister Delegate for Treasury Benouari knocks over a few taboos and discusses the possibility of a rescheduling.

1. Extent of the Crisis and Financial Heritage of the 'Black Decade'

For seven years our country has been using half of its export earnings to service its debt. The debt service ratio has even risen to more than 60 percent over the past five years and has totaled between 70 and 75 percent since 1990—some \$9 billion in repayments for about \$12 billion in export earnings.

That way of honoring our commitments contrasts strongly with the approach taken by the some 30 countries (including 20 in Africa and eight in Latin America) whose debt ratios are smaller but which have chosen rescheduling.

One can never sufficiently emphasize the disastrous effects of that policy, especially since the trauma caused by the collapse in petroleum prices in 1985 and 1986. The only response by the "system" then was to reduce imports by half (from \$13 billion in 1985 to \$7 billion in 1986). That drastic drop in imports, which have still not returned to their 1985 level, occurred, moreover, during a black decade that began in 1979 with an almost complete halt in investments. It therefore made the approaching crisis spectacularly worse and laid bare all the accumulated contradictions in a country whose strong population growth (nearly 3 percent per year) requires a policy of investment and of strong and sustained economic growth.

Nothing illustrates the circumstances and extent of the economic crisis better than the annual growth rates in investment and gross domestic product (GDP) (see the table below).

Change in Investments and GDP (percent)		
Period	Investments	GDP
1973-1980	+10.4	+6.6
1980-1987	+0.2	+4.3
1987-1989	-1.2	+0.6
1990	-1.2	-2.0
1991	-4.1	+1.4

The dominant opinion in our country was (is?) that rescheduling would lead to the abandonment of economic sovereignty and unbearable social sacrifices—sacrifices as severe as they would be useless because the process would lead to failure in the form of repeated reschedulings.

So then—according to that view—far from solving the debt problem, rescheduling could only make the problem worse because it was thought to cause lasting harm to the quality of the signatures of those using it.

In return for its policy of paying cash on the barrelhead, Algeria expected to be recognized as a good debtor and to receive from its usual partners the financial help necessary for getting its economic activity moving again.

2. Silence of Financial Markets and Appearance of Conditional Credits

Neither the financial markets nor Algeria's official partners—with a few insignificant exceptions—lived up to that expectation despite a process of economic and political reforms that was welcomed and supported by the IMF and the World Bank [IBRD-International Bank for Reconstruction and Development]. In 1989 those two institutions launched a program to help the reforms, thus encouraging Algerian authorities to continue on the path of economic adjustment without rescheduling and our country's economic and financial partners to provide the necessary additional aid.

The most significant credits of a financial nature to be obtained since 1989 have not really had the character of market operations. They have consisted basically of the politically inspired loan of 1 billion French francs organized by the BNP [National Bank of Paris] in 1989 and the "reprofiling" operation headed by the Credit Lyonnais, which we will discuss later. That operation required compliance with certain conditions.

But financial contributions from the multilateral development institutions (the IMF and the IBRD joined by the African Development Bank and the Arab Monetary Fund) have been notoriously inadequate. At best, they have made it possible to stabilize (prolong?) the economic crisis.

For their part, official contributions from Algeria's main partner countries (France, Japan, Italy, and the United

States, in particular) have been excessively politicized and turned into media events, and the results have been disappointing. Those contributions have been aimed primarily at enabling the countries in question to maintain their trading position in Algeria, the exceptions being certain Japanese credits, which were not tied loans and were granted in a cofinancing arrangement with the World Bank and the loan of 400 million ECU's [European currency units] from the European Community that was based on the adjustment programs agreed to with the IMF and the IBRD, the African Development Bank, or the Arab Monetary Fund.

The result was that almost without realizing it, we have entered a new phase in which all facilities not tied to a specific flow of trade (that is, other than buyer's credits of a governmental or banking nature) are accompanied by strict macroeconomic conditionality.

Despite that, the funds thus obtained have never been sufficient to cover the gaps (negative balances) in the balance of payments, those gaps being estimated at from \$2 billion to \$3 billion annually since 1988 based on annual import programs, which themselves were below what was really needed for optimal utilization of the country's means of production.

It has been necessary to make up for those gaps by withdrawing sizable amounts from the exchange reserves, mobilizing our gold reserves, and maintaining a chronic backlog of items in "suspense"—that is, late payments that have increased the cost of our access to credit and foreign trade and harmed the good debtor image, which our rejection of rescheduling was aimed precisely at establishing.

For its part, the excessively low level of our exchange reserves between 1988 and the end of 1990 (actually, it was negative in terms of corrected data) was a constant embarrassment and a permanent threat to the security of our supplies. Moreover, it reduced our room for external maneuver and harmed our credit with suppliers and moneylenders.

3. Predictable Failure of 'Reprofiling' Policy

The reprofiling policy, which aroused a great many false hopes, failed basically for the following reasons:

1) As far as private-sector commitments are concerned, the (laborious) success of the operation headed by the Credit Lyonnais must not conceal the fact that that operation did not achieve the other goal sought by its promoters, which was to prepare for our country's strong return to the financial markets. It was obvious, however, that it would be difficult to induce those markets to accept a concept fundamentally opposed to the very concept of a market operation. And in fact, two years of negotiations (what a waste of time!) and sustained diplomatic and political pressure were required to reach agreement with the some 200 creditor banks concerned.

The voluntary and enthusiastic support that was initially expected to be a simple formality gave way to a giant negotiation whose outcome, uncertain until the very end, turned out to depend on the agreement of all the creditors (not just the most important of them) and on the conditions set by the IMF and its approval.

Last, we note that that agreement, whose conditions in terms of duration and cost are less than originally expected, is limited to 15 percent of the annual debt service and less than 8 percent of the debt balance.

2) Next, as far as the public debt is concerned, the decision to "reprofile" the debt was rejected by most of our creditors and especially the most important of them, France (representing a debt of from 34 billion to 35 billion French francs, or about \$7 billion). France, a country to which we repay about \$2 billion annually, also rejects any suggestion of direct financial assistance that might relieve our balance of payments. So far, it has explained its rejection of reprofiling by its attachment to the rules of solidarity which bind the member countries of the Paris Club to each other.

Those rules prohibit separate dealings with debtor countries, recommending instead that the latter address their requests to the Paris Club, which represents them.

When payment extensions are requested, they are described as a "restructuring," a "consolidation," or a "rescheduling" of debt with no difference in meaning. The last-named term is the one used most often. The association between the Paris Club and rescheduling is due to the fact that in order for rescheduling to be accepted by the club, the country requesting help must have previously reached a specific agreement with the IMF on a medium-term structural adjustment program.

The private creditor banks also support each other and, acting through the "London Club," which represents them, follow the same policy as the Paris Club. The legal basis of that solidarity among private creditors is the *pari passu* and sharing clauses found in financial credit contracts.

"Reprofiling," which is a term invented by the Algerians in 1989, is an attempt to escape the constraints of rescheduling based on a general economic situation that supposedly does not justify going to the above-named clubs—that is, in effect, admitting defeat and submitting to the IMF. And in fact, our partners (France and our other official partners, including the IMF and the IBRD) have steadily encouraged our country to avoid rescheduling in the belief that we can solve the problem by other means. Those advisers were listened to, but at what a cost! Not to mention that the problem is still not solved.

To compensate for and also justify their refusal to accept our requests for reprofiling, French authorities regularly agree to revise upward or reorganize the buyer's credits made available to our businessmen, but always after negotiations in which there is renewed debate concerning disputed debts, delays in payment, and so on.

4. Pernicious Role of Lines of Export Credit

Mention has often been made here and there, and especially in connection with negotiations with our official partners, of the issue of buyer's credits and their relationship with the foreign debt problem. On numerous occasions, for example, we have been offered bilateral financing at concessional rates for commercial or investment needs instead of credits to help the balance of payments. The usual argument is that financing of that kind relieves our balance of payments indirectly. Those lines of credit would therefore provide a means of financing our economy without the need to reschedule.

That argument has always seemed suspect and dangerous to us because of the ulterior motives involved and the consequences it would have.

Let us say, first of all, that here we are talking about lines of buyer's credits intended to finance current trade or equipment goods. Those lines of credit may be granted by governments (at concessional rates) or the private sector. Private bank lines of credit are themselves often guaranteed by government credit insurance agencies.

Next, let us recall the harmful palliative role played by private commercial credit beginning in 1986. That type of credit, basically short term in nature (12 to 18 months) and easier to obtain, tended to supplant medium-term credit and eventually replaced it altogether.

It shortened the average term of our debt, thus worsening our financial situation because of the steady rise in the debt service ratio.

That type of credit very quickly became as easy as it was unavoidable. It also helped put our country in a state of hopeless indebtedness. On the other hand, it enabled our creditors to replace gradually amortized medium-term loans with more profitable and less risky short-term commercial commitments.

Nor are official lines of credit helping to solve the debt problem despite their longer term (three to five years) and their lower cost in comparison with private lines of credit.

The reason is that the list of products eligible for financing from those lines of credit is established on the basis of the supplier country's external competitive position and its strategy for consolidating a market. What we end up with is two fundamentally contradictory approaches: Algeria has been demanding long-term cash since 1988 in order to consolidate its debt and finance the reorganization of its economy. What it is being offered are loans enabling it to buy goods which it certainly needs but under conditions of limited competition leading to excessive direct and indirect costs and sometimes questionable quality. Moreover, such loans worsen the debt crisis rather than alleviating it.

5. Debt Crisis Conflicts With Continuation of Reforms and Optimal Use of Lines of Credit

That contradiction has persisted only because it has been able to "finance" itself somewhere financially, economically, and socially.

a) Financially, the threshold of the bearable was left far behind long ago, but what is new is the fact that all the paths explored so far—from nonrenewable funds (debts owed to us by foreigners) to the reprofiling option and the above-mentioned lines of credit—have led to a dead end.

Because of their scope and the media coverage they received, the many lines of credit agreed upon in recent years were regarded as saving manna. The fact that they did nothing to alleviate the debt problem has generated concern, not to say skepticism, in public opinion regarding debt management by the authorities.

Besides the above-mentioned limitations due to the specific nature of those lines of credit, we should also mention other limitations preventing their optimal mobilization and helping to increase pressure on the meager cash resources available. Those limitations are the following:

First, the actual rate of financing per contract is often 85 percent. This means that cash must be found in order to mobilize those lines of credit. The result is an arbitration problem (that of setting priorities) at the level of the administration and the banking sector, and this is true regardless of the rules governing access to foreign trade—whether they be the entirely administrative rules of the past or the semiliberal rules of today.

One example of that "arbitration": for a given amount of money available in cash, should we assign priority to milk, oil, tomato concentrate, the spare parts needed to get a factory running again, or the intercity buses so urgently needed by Etusa—buses which, incidentally, could be built by the SNVI [expansion not given] if the latter were given the 15 percent necessary for acquiring inputs? Examples like this are innumerable, and the frustration felt by businessmen often turns into resentment of an overburdened administration that is frequently incapable of calmly and quickly solving the persistent problem of how to distribute scarcity. Refinancing the 15 percent therefore becomes an objective brake on the use of many lines of credit, which remain "fallow" as a result.

Continuing payment delays—which have been chronic since 1988—often lead creditors to quietly withhold credits already agreed to, this being a means of pressure to induce Algerian authorities to bring payments up-to-date. The result is that confirmed lines of credit are managed on a case-by-case basis.

The basic criterion is the importance that an export contract represents for a creditor country wishing to shore up its balance of payments or for a creditor bank

eager to help its customer (from whom it draws a not inconsiderable share of its profits) improve his sales.

The second limitation is represented by the powerfully cumbersome bureaucracy that hampers the use of lines of credit granted for investment projects (factories, roads, dams, and so on).

A third phenomenon limiting the effectiveness of lines of credit is the fact that businessmen are compelled to use credits in the form of foreign exchange, this for reasons having to do with the balance of payments. Businessmen are thus exposed to foreign exchange risks even if they are in a position to pay cash.

The constraint represented by debt service takes precedence over economic logic. In the name of that same constraint, even the duration of the credits is increased tenfold in terms of the economic nature of the product being financed and, consequently, the time required to amortize it. That phenomenon has extremely negative effects on the functioning of the economy and on the profitability of Algerian firms since it results in chaotic inventory management and foreign exchange losses, the effect of which is abnormal distortions at the level of domestic prices and supplies for the market. The establishment in October 1991 of the administrative system of forward cover alleviates to some extent the foreign exchange risk connected with the use of foreign credits.

It is true that that system could be improved from the technical standpoint, but it leaves unanswered the question of the economic opportunity of the credit and its duration, since the latter must closely match the amortization of the product being financed. Solving those two problems will make it possible to solve many others that are now in abeyance: a decision regarding the duration of cover, amortization of the cost of cover, and the terms and conditions governing the reassignment of foreign credits to the firms.

In some cases, this will make it possible to identify the agency which, either in place of the firm or jointly with it, is to bear the foreign exchange risk (Treasury, Central Bank, and so on).

b) Economically, we are becoming more and more clearly aware of the impasse reached by the logic that has prevailed so far, because the national economy has entered a phase of structural adjustment. That structural adjustment sums up the effort undertaken in the field of essentially liberal economic reforms aimed at bringing market mechanisms into play in all sectors of economic life. The adjustment phase will necessarily last many years (from five to 10 years). Beyond the many errors made by the team of "reformers" from 1989 to 1991 (errors in evaluation and method), it must be agreed that the adjustment in question has asserted itself in a "uniformly accelerated" fashion both in people's minds and in actual fact.

But the debt situation is currently in conflict with the continuation of that adjustment. The logic of the structural adjustment calls for free access to foreign trade (with, as a minimum, the convertibility of current transactions), price deregulation (which, however, cannot exclude the putting in place of social safety nets for the least privileged in the current phase), the rebuilding of foreign exchange reserves to a level equaling a minimum of three months of imports (that is, some \$3 billion), and so on.

In that regard, it is paradoxical that the IMF and the World Bank, whose job it is to be aware of such things, did not notice that tremendous contradiction and did not take it into account in drawing up the programs negotiated with our country.

The Algerian authorities who negotiated the IMF confirmation agreement dated 3 June 1991 (which we will discuss in more detail later) also displayed the same shortsightedness when they decided that a market economy and a convertible dinar could be achieved without first solving the foreign debt problem and, consequently, the problem of normal "liberal" access to foreign trade.

c) Last, at the social level, we also see the emergence of a limitation on the continued pursuit of a disastrous debt management policy. The worsening of unemployment and poverty, which is the result of that policy, will prevent the authorities, regardless of who they are, from persevering on the path to which we have confined ourselves for seven years.

6. IMF Confirmation Agreement of 3 June 1991

There has been considerable discussion of the confirmation agreement that our country signed with the IMF in 1991. Because of the many lessons it contains, that agreement deserves one more look, however brief.

The agreement in question, which was negotiated between the two parties a good six months before it was signed by the Algerians on 27 April 1991 and by the IMF on 3 June 1991, was concerned with a brief 10-month structural adjustment program scheduled to end on 31 March 1992. Under its terms, the IMF was to release a credit totaling 300 million SDR's [special drawing rights] (about \$400 million) in four successive tranches of 75 million SDR's each following the achievement of a certain number of objectives included theoretically in our policy of reforms.

The objectives chosen were of the macroeconomic type: devaluation of the dinar in advance of its convertibility, the deregulation of prices, a return to budget surpluses in order to finance the reorganization of state-owned enterprises, control of inflation, and so on.

Despite the big controversy it generated, basically because of the circumstances in which it was signed and its objectives, which we said were unachievable (from the standpoint of its duration and its financial fallout),

we need to emphasize that that agreement enabled Algeria to break with previous habits, resume the debate on reforms, and, last, familiarize our cadres, management and labor, and public opinion with the problems posed by the structural adjustment in terms of concepts and necessity: the necessity to deepen the reforms not only at the macroeconomic level (foreign exchange policy and monetary, tax, customs, and budget policy) but also with respect to our system of production and access to foreign trade and our price system. That latter component is part of the intervention program being overseen by the World Bank, with which a specific agreement resulting in a loan of \$350 million was reached at the end of June 1991.

That exercise made it possible to realize above all the complexity of the reforms and the need to carry them out in a methodical and thorough manner and according to a precise timetable that will certainly be spread over many years.

Unfortunately, the agreement of 3 June suffered from three major defects.

First, the semisecret way in which it was negotiated was not appropriate considering its extensive economic, social, and even political implications.

Second, the commitments contained in the agreement could not be lived up to because the time allowed (10 months) was too short.

Third, it did not mobilize enough funds to finance the adjustments it called for.

One circumstance made it impossible to simply denounce the agreement, and that was the insertion of conditions, in a manner as sudden as it was unusual, into important loan contracts, which were being finalized at the time and which were not supposed to include any. The system of cross-conditions that was set up had the effect of considerably delaying the signing of the contracts and even the mobilization of funds called for by contracts already signed, since they had also become dependent on a go-ahead from the IMF, and that go-ahead itself was tied to our ability to honor our commitments.

7. Errors of the Past and End of the Myth of Easy Money

The failure of the reprofiling policy and the immediate jump into the era of conditional credits therefore marked the end of the illusion, sustained for many years, that we would never have trouble finding the royal road to easy money.

We must draw the conclusions from that failure by clearly identifying our past errors and then building a new debt policy on that foundation, because financial credibility is not decreed; rather, it is patiently built by labor and professionalism and is measured by figures and ratios. The use of extreme resources and recourse to

brother countries and friendly countries to avoid reality have shown their limits and have not strengthened our credit rating.

In our opinion, formulation of a debt policy must lead us to deal with three absolutely interrelated aspects of the problem: our approach to the capital markets, forms of indebtedness, and debt management itself. It must also take into account the purpose of external indebtedness, and that purpose must be chiefly investments that will generate foreign exchange. The current debt crisis is precisely the result of the errors made in all those areas:

a) The effectiveness of investments was compromised because investment spending throughout the 1970's failed to produce the expected profitability, and even less did it generate any fallout in the form of foreign exchange, despite an investment rate of close to 40 percent (a world record) and appropriately sized indebtedness (from seven to eight years with a three- or four-year grace period). It was a mistaken economic model favoring heavy industry—which requires a huge amount of money—over light industry and agriculture.

It is true that there was reconsideration beginning in the spring of 1978 as the end of the second four-year plan was approaching. That reconsideration quickly led to the conclusion that it was necessary to reduce our recourse to external indebtedness (even though the debt service ratio was only 20 percent), revise the way in which the economy was being managed, and redirect investments toward light industry, infrastructure, and agriculture.

That prevented our country from experiencing the fate of Mexico and Brazil, which continued to borrow easy money and found themselves forced to reschedule as far back as the early 1980's. A historic surge in interest rates to 20 or 25 percent occurred shortly thereafter.

b) Choices favoring consumption over investment were made during the 1980's—at a time when the country was collecting funds at a spectacularly higher rate (from 1980 to 1984) because of record highs in the value of the dollar and the price of petroleum.

Unfortunately, that period also witnessed other disasters such as cancellation of the gas contracts and destruction of the productive apparatus.

c) Our approach to the capital markets was inappropriate, especially after the start of the debt crisis. That approach was consistently less aggressive than required by the situation or even the policy pursued during the 1970's: there was no overall strategy or coordination among the agencies and businesses involved, nor was any account taken of the potential for hedging among the various credit markets.

The increasing volume of delayed payments eventually ruined the quality of Algeria's signature. But Algeria continued to repeat constantly that its signature was one of the best in the Third World and to try stubbornly to impose that view on the financial markets.

d) Outdated financial engineering: here, too, there was a clear deterioration in comparison with the 1970's. It involved almost exclusive recourse to the most available but also the most expensive markets and instruments, an example being dollar-denominated Eurocredits, even though the same period saw an explosion in new borrowing instruments and new ways of neutralizing the risks related to interest rates and foreign exchange rates. The almost exclusive use of short-term borrowing beginning in 1986 is explained in part by failure to take the evolution and psychology of the markets into account.

e) Poor debt management in that the system for collecting and processing debt statistics is not reliable, as was underscored by a diagnostic study conducted by a foreign auditing firm in 1989. Moreover, the structure of our debt in terms of currencies does not reflect our means of payment, which are denominated almost exclusively in dollars. The result is that because of the preponderant weight of other currencies, our total debt undergoes a valorization effect and tends to increase in volume when the dollar experiences sizable declines in value, as was the case between 1985 and 1989 and in 1991-1992. That valorization effect is not theoretical. It is reflected in real losses when the time comes to make debt service payments. This situation is not inevitable: there is a very diversified range of hedging techniques that did not exist in the 1970's.

Back in 1979, a study made by us for the Central Bank of Algeria identified that valorization effect and assessed it at \$1 billion (in losses) for the period from 1970 to 1977 (cf. "The Impact of Foreign Exchange Fluctuations on the Algerian Economy From 1970 to 1977").

Last, to conclude this section, let us note that the myth of easy money and the illusions it engendered would never have caused our present disaster without the almost continuous presence throughout the black decade of a handful of men at the highest level of the state's commercial and financial machinery. Today those same men are repositioning themselves following the events of October 1988, which forced them to adopt a low profile, and are now taking matters in hand again on the pretext that they participated in the epic of the 1970's.

In short, they are men whose willfulness and arrogance served as policy when talent and humility were what was needed. Since the start of the 1980's, many cadres have paid the price, in the form of silence, exile, or transfer to the private sector, for the disastrous management of human resources that has marked these past 10 years.

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[Text]

8. Toward an Overall Approach to the Debt Problem

Throughout the preceding discussion, we have seen the following:

a) The foreign debt problem is not just a technical problem to be solved; it is indissociable from the

structural causes and historical domestic context which generated it and which call for a drastic overhaul of the organization and operation of our economy. The name for this is "reforms" or "structural adjustment."

b) The economic reforms themselves are seriously jeopardized by the debt crisis.

c) Conventional export credits are prolonging the observed dysfunction and making it worse.

d) The financial markets are no longer responding.

e) The "reprofiling" option has failed unless there is an about-face by our chief government partners, particularly France.

f) Since the agreement of 3 June with the IMF, all credits not tied to a flow of exports have become conditional and will probably remain so.

To those conclusions we can add the fact that the country is in urgent need of a recovery and that such a recovery is impossible in the current context because of the extreme shortage of internal and external funds.

Moreover, debt service is hitting a peak again this year. And the short-term loans contracted in 1990 and 1991 are going to inflate next year's debt service, which will benefit only slightly from the effects of the reprofiling in the private sector, which will expire at the end of March 1993.

In those conditions, the approach to the debt problem can only be an overall approach, and that overall approach takes us back inescapably to both structural adjustment and the search for the most suitable means of financing that adjustment: cash, reprofiling, or rescheduling.

Cash and reprofiling depend on our partners, who for the past seven years have been making us pay the price of our miscalculations:

a) Cash can come only from our ability to increase our own funds and from the financial markets, which are interested only in figures and ratios. They do not experience mood swings.

b) Reprofiling cannot succeed unless we can offer something as security (whether physical, political, or in some other form that can only weaken our sovereignty in the current circumstances) or unless we have some means of exerting pressure that we are not aware of.

Rescheduling depends on us. It is indeed the acknowledgment of and penalty for economic failure. But who can deny the fact of economic failure?

If we are unable or do not want to offer security and have no means of putting pressure on our partners, it will be necessary, in our opinion, to undertake a process of rescheduling with the utmost urgency before we reach

the point where rescheduling is forced on us by circumstances (failure to pay) and before the current situation (keeping things moving slowly with short-term commercial credits) again leads to civil unrest.

It is no doubt in the interest of our partners to weaken in the extreme a country that was once strong and prosperous.

If adopted, rescheduling could be the vehicle for lasting recovery in the medium and long term.

9. Rescheduling Problems

Genuine rescheduling, which is negotiated with representatives of the creditors, must be dissociated from the negotiation of adjustment programs, which involve the IMF and on which the agreement of the creditors depends.

As far as adjustment proper is concerned, its usefulness should be admitted from the double standpoint of rigor—that is, positive austerity—and the possibilities for recovery that it involves through rescheduling. The adjustment program involves elimination of the waste and deficits that are corrupting our economy, and its objective is to make our economy efficient, competitive, and better prepared to meet the challenges represented by exports and the international division of labor. Any program of this nature is negotiated very carefully. It must also last long enough to allow the planned adjustments to have their effect (the basic period is three years). Lastly, it must have sufficient financial resources to guarantee it the best chance of success.

However, it involves a number of objectives that need to be adopted from the start, examples being the shutting down of unprofitable enterprises, the possible start of a privatization process, and partial convertibility of the currency. Let us examine some of those objectives a little more closely.

a) Privatization: So far, the very mention of rescheduling has brought fears of privatization, but the latter is now a focus of economic policy in our country. It is, in fact, completely outrageous that state-owned commercial enterprises should be costing the state and the taxpayer more than they bring in, considering that their first and last purpose is to contribute to the country's economic development. Is it not abnormal, moreover, that the ultimate market penalty provided by Law No. 88-01 (but one that is rarely enforced) calls for dissolving those enterprises (in which case their assets must be transferred solely to other state-owned enterprises) rather than allowing private firms to take them over as going concerns with production potential?

Privatization, which is now accepted in principle, will cause latent talent to emerge, increase productive employment, reduce state subsidies, and enable the state to collect valuable revenue in these times of budget deficits.

Last, it will have the beneficial effect of drawing off available liquidity, and that is still the best way to combat inflation and reduce the cost of access to credit.

b) Convertibility of the dinar: This alone will make it possible to ensure the optimal allocation of our foreign exchange resources and, consequently:

(1) The efficiency of our foreign trade. Convertibility means equal access to imports for businesses engaged in foreign trade (as governed, of course, by appropriate regulations under which, as is true today, not everyone will be allowed to import just anything). It also encourages the repatriation of export earnings and does away with extra expense and overbilling in connection with imports. Last, access to foreign funds will cease to be a "privilege" and will become an economic fact of life just as normal as access to domestic funds. Its appropriateness will depend on its cost and its profitability.

(2) Confidence by resident and nonresident investors, who will no longer be forced, in their routine foreign trade operations, to contend with the obstacles, restrictions, and aggravations put in their way by the administration (for example, the prior review of suitability that is inherent in any strict foreign exchange controls).

(3) The normal management of foreign credits based on the businessman's needs and the nature of the product being financed rather than on the availability of cash. This makes it possible to prevent consumer items and items intended for resale without further processing from being financed on credit and to avoid situations in which a businessman with cash is forced to take out a loan—a situation that is not economically justifiable.

By allowing the currency to find its true value, convertibility makes that currency more available. As a result, the foreign exchange risk inherent in any indebtedness will be of concern only to those businessmen forced to borrow and will apply only to investments or goods with a long amortization period. The result will be less recourse to forward cover and, consequently, a smaller impact on domestic prices by the cost of that cover.

(4) Better management of inventories of imported goods and improved supplies for the market in terms of both quantity and quality.

(5) The disappearance of the black market in imported goods, which is a source of tax evasion, and of the black market in currency, which fuels the black market in imported goods. By that very fact, a convertible dinar will rehabilitate productive labor to the detriment of speculative activities.

It should be pointed out that in its first stage, the convertibility in question will apply only to current imports (official goods and services). Naturally, it may involve changes in parity if the equilibrium between the supply of foreign exchange and solvent demand is upset.

That equilibrium is not necessarily precarious in our country because it is possible to influence the supply of

foreign exchange (and the supply itself is considerable in a country endowed with appreciable hydrocarbon resources) by means of an exchange stabilization fund and a better mobilization of foreign credits. The demand for foreign exchange can also be influenced (and solvent demand is not unlimited, especially in the case of official imports) through a customs policy and foreign trade regulations that establish import priorities based on what we can afford, as has just been done by Belaid Abdesselam's government. By "credit policy," what we are referring to are measures such as credit restrictions or adjustments to interest rates.

c) A consistent, reasonable, and nondiscriminatory customs tariff that will facilitate trade and integration with the world market.

d) A strict budget policy requiring that expenditures have equivalent revenues.

e) An effective tax policy that will improve the tax yield and, consequently, budget revenues.

f) A monetary and financial policy that will favor savings and limit recourse to monetary financing (the Central Bank), which is by nature inflationary.

In that context, interest rates must reflect their real level (that is, they must be higher than the inflation rate) in order to attract savings to investment through the banks. In the context of that same policy, the money supply must reflect changes in GDP—that is, the wealth produced. To that end, a policy of high interest rates and/or credit restrictions can be advocated if necessary.

All those objectives are necessary for restoring order to disorganized economies, and most countries living in a market economy—including the richest—are continually striving to attain them. It also happens that they are part of the structural adjustment programs negotiated with the IMF. Such programs do not necessarily lead to a rescheduling (Tunisia being one example), but a rescheduling necessarily depends on them. In such a circumstance, the IMF provides technical aid and financial assistance on favorable terms. It also stands surety with creditors if there is a rescheduling. The IBRD steps in automatically and in consultation with the IMF, but does so through a specific agreement that also involves financial and technical assistance accompanied by conditions. Under those programs, the IMF is interested basically in macroeconomic imbalances—the structural cause of the disequilibria noted in the balance of payments—while the IBRD is more concerned with the system of production, foreign trade, prices, and so on.

Those programs are freely negotiated, the only condition being that once approved by both parties, the performance criteria (that is, the jointly stated objectives) must be respected in toto or the planned assistance, which is tied to the pace at which the program is carried out, will be halted.

Seen in that light, recourse to the IMF and the IBRD in a context of rescheduling can no longer be presented in terms of freedom (that is, of choice) but in terms of necessity (that is, of interest); those two concepts are fundamentally opposed to each other.

10. What Are the Chances for Successful Rescheduling?

a) Advantages favoring success:

Contrary to many preconceived ideas, our country is not in a bad position—far from it—to succeed with a possible rescheduling. The fact is that it possesses many more advantages than most of the countries that have rescheduled, with varying degrees of success, up to the present.

Its debt profile is more favorable when viewed not in terms of the debt service ratio but in terms of the outstanding debt ratio, which amounts to barely more than twice our exports.

Other advantages are the following:

1. Export resources that are stable and even increasing, considering our foreseeable export volumes.
2. Human, industrial, agricultural, and mining potential that is more than respectable and, in any case, superior to that in most of the countries that have rescheduled.

On the other hand, prolonging the current situation would have tragic social and economic consequences: obsolescence and aging installed equipment (meaning the cancellation of all our previous development efforts), the disappearance of an experienced elite either because of an exodus abroad or through natural aging, a definite shrinkage of savings and future accumulation because of population growth, and so on.

The arguments against rescheduling are based on:

1. The inescapable failure of all rescheduling policies. Many countries have successfully rescheduled their debts with fewer initial advantages and with a higher outstanding debt balance than they have reduced to the level of their exports or GDP (Mexico and Morocco, for example).
2. The dominant influence allegedly exercised by France through the Paris Club. France is only one member among others of that club. Moreover, negotiation with the club is concerned only with the technical aspects of rescheduling, not with its conditions, which are negotiated with the IMF and the IBRD, although France does exert some influence through them in proportion to the amount it is owed and by virtue of the fact that its opinions on Algeria are sought by the other creditors. The director of the French Treasury presides over the club because its headquarters are in Paris and for no other reason. For those very reasons, however, France's influence today is at least equally great because of the inordinate weight of French claims in connection with debt service, a situation that has now lasted four or five

years (France is in the top spot, with an amount totaling somewhere between \$1.5 billion and \$2 billion per year).

Last, we should point out for the benefit of the uninitiated that our country is owed money by a number of countries and therefore has every right to become a member of the Paris Club.

3. The drying up of export credits. In our opinion, this fear is overstated because the exporting countries are operating in a context of very stiff competition. Besides, the financial markets will continue to have nothing to do with us until they themselves become aware of the restored quality of the Algerian risk. The private banks, however, cannot afford not to get involved in the refinancing of down payments if that refinancing is a compulsory condition for the signing of export contracts by their customers, all the more since it involves a marginal risk that is covered in any case.

4. The repetitive nature of reschedulings. In our opinion, this is easily explained, considering that the complete processing of a debt is spread over many years, whereas the first rescheduling is concerned only with the debts coming due first.

5. The worsening of our financial credibility that would result from a rescheduling and our country's lasting exclusion from financial markets. That assertion almost makes one laugh, considering that those markets have been practically closed to us anyway for the past seven years. And they will stay closed, too, as long as there is no solution to the debt crisis that is strangling us. The fact that our debt is holding up relatively well in the secondary markets should not delude anyone, because its cost (in the neighborhood of 80 percent) is fixed precisely at the point where it will not alarm us too much while also justifying, through hedging, the additional 7 to 10 percent per year being imposed on us in connection with short-term loans—in other words, discouraging the acceptance of any medium-term risk involving our country.

By thus paying our debt regularly and getting nothing in return, we are paradoxically encouraging our creditors to systematically replace, at no cost to themselves (since few or no reserves need to be set up), their old medium-term claims with new short-term claims, which are less risky and certainly more remunerative; what we seem to have adopted is precisely the Brady Plan in reverse.

The extraordinary rise in the cost of our short-term financing (we pay 10 percent per year for the confirmation of a refinanced letter of credit, compared to the 1 percent paid by Morocco, which has rescheduled its debt) and of the imports we finance in that way (the additional cost of which is also estimated at 10 percent) is, ridiculous as it may seem, the result of our own policy. That policy is all the more suicidal in that it has a perverse effect: a debtor who systematically overpays is classed as a risk even if he pays his debts regularly. Our country therefore constitutes an additional obstacle to the recovery of its credibility.

6. Distrust on the part of investors. It is helpful to observe here that despite the favorable conditions we grant to foreign investors, the latter are more strongly attracted by neighboring Morocco.

Contrary, then, to all the arguments that have been developed here and there, we feel that a rescheduling based on a well negotiated adjustment program will give a lift to the national economy and to our economic reforms, which are singularly in need of inspiration and money. It will also provide those reforms with clear direction and technical support and ensure a steadfastness in the adjustment effort that will survive the men in charge of carrying it out.

c) Financial effect of rescheduling:

A rescheduling traditionally covers the two years following the decision to reschedule.

Interest payments cannot be rescheduled, nor can debts owed to multilateral financial institutions (the IMF, the IBRD, the FMA [expansion not given], and the BAFD [expansion not given]), compulsory loans, and certain commercial credits.

In our opinion, therefore, the bulk of our debt falling due in less than three years is eligible for rescheduling, but only recent data on expected changes in debt service over the next few years and the structure of that service by type of credit will make it possible to determine precisely the sums in question.

Lacking recent and reliable statistical data, we have made quick estimates that need to be refined because they are based on the debt profile as of 31 December 1989. The impact that the reprofiling operations have had on the profile and development of debt service must have been minimal, considering that we still have a debt service ratio in the neighborhood of 70 percent. This leads us to suggest a more dynamic approach to management of the debt balance, which can only be accurately conceptualized by an authorized expert evaluation (by a committee or ad hoc authority). In all the hypothetical cases considered, that evaluation must reflect a correct perception of the management mechanisms, with no subjective assumptions being taken into account and with the view that learning to manage due dates must not frighten us. The only thing that counts is the search for the least restrictive debt profile.

Precise diagnosis and simulations based on figures can only help the government be prepared for any eventuality.

Pros, Cons of Proposed Multiple Exchange Rate

93AF0243A Algiers *LE SOIR D'ALGERIE* in French
19 Nov 92 p 2

[Article by Brahim Tah: "Multiple Exchange Rate: Decisionmakers Refuse To Participate"]

[Text] Algiers—The Chamber of Commerce held a seminar on multiple exchange rates on the 16th and 17th of

this month. The purpose of that meeting, which began at the Aurassi Hotel on Monday, was first of all to explain the multiple exchange rate mechanism and then to debate the advantages and disadvantages of such a policy.

Several papers were scheduled to be read during the seminar. Among them, that by the eminent economist and former minister of economy, Hocine Benissad, attracted attention the first day. Everyone noted the absence from this seminar of the individuals chiefly concerned: the ministers delegate for commerce and for small and medium-size businesses.

It was learned behind the scenes that the two ministers had been given orders not to attend the seminar. So what good would it do to announce with great fanfare the holding of a seminar in connection with which the Chamber of Commerce has gone to so much trouble for the purpose of debating a topic that is of interest to businessmen and the citizens (as consumers) on more than one count, when it is observed that a sort of lid has been placed on information? Professor Benissad alluded to that observation as he was discussing the standby agreement signed with the IMF on 3 June 1991, an agreement that called for a first devaluation in September 1991 to a level of about \$1 to 24.5 dinars and a second one this December that did not take place because the agreement in question had expired at the end of March 1992. At the time, he said, "there was a lack of debate and transparency concerning those issues. Information has to be as complete as possible and also transparent."

For their part, the other speakers deplored the absence of consultation regarding in particular the latest measures restricting imports. In any case, Benissad's address was very relevant in that he was able to inform us concerning the theory and practice of the multiple exchange rate. But first he briefly outlined the history of the foreign exchange policy pursued by Algeria between 1962 and 1991—which "consisted, for reasons of sovereignty, of arbitrarily making the French franc and the dinar equal in value." He said, however, that since the 1970's, the IMF has constantly advised Algeria to devalue its currency. After 25 years of a managed economy and an overvalued dinar, the result now is tight restrictions on imports and, naturally, the accompanying shortages, a growing black market in foreign exchange (which the government had been combating but which it now wants to rehabilitate and label the "parallel foreign exchange market"), and mediocre domestic production.

Following the drop in the price of petroleum per barrel in 1986 and the cutback in imports, the depreciation of the dinar began slowly around the end of 1987 and led to the standby agreement signed by Algeria and the IMF on 3 June 1991. One of the conditions imposed on Algeria by the IMF was the devaluation of the dinar. Two choices were offered: either to make the free exchange market

official or to devalue the dinar, whose rate stood at about 1 dinar = \$24 or \$26 [as published]. A second agreement called for another devaluation amounting to 50 percent, but that agreement was not signed by the current government. "I emphasize that the purpose of my paper is not to be for or against the new exchange rate policy but to present the problems and try to define the outlines of the concept involved."

The IMF, which is responsible for monitoring the exchange rates of its member states, of which Algeria is one, formally opposed the idea of creating a double exchange market, one official and the other parallel. The law on currency and credit also prohibited multiple exchange rates. It established only a single exchange rate. "I presume that the IMF has accepted Algeria's desire to establish a multiple exchange rate, which is a means of controlling foreign trade. But a multiple exchange rate violates the spirit of the market economy. It is a policy not in keeping with the liberal economic system. Hitler's Germany was the first country to use the multiple exchange rate to boost the economy. Establishing a multiple exchange rate is more a political than a technical decision."

The system in question creates inequalities among firms. It allows some of them to flourish thanks to an advantageous exchange rate.

Settling on a single exchange rate often means accepting the parallel rate. As a result, care must be taken not to create a large gap between the preferential exchange rate ("category 1," as explained below) and the parallel exchange rate ("category 3").

But the undeniable advantage ascribed to the multiple exchange rate is still the fact that it lowers the price of certain basic consumer goods, the undoubted result being that it establishes some degree of social justice.

Basic Facts

According to economist Benissad:

The multiple exchange rate is a foreign exchange market in which at least three rates are used. They are not necessarily fixed, and they may change as time passes. The foreign exchange market could be divided into three market segments, as follows:

First, the segment in which the value of the dinar is higher than the basic rate. For example, the decision might be made to set the rate administratively at 4.7 dinars to the dollar. This rate would cover imports of items regarded as strategic (medicines, sugar, cattle feed, and so on), and the result would be lower consumer prices. It amounts to an implicit subsidy.

Second, the current official rate of exchange, which is 22.5 dinars to the dollar. This rate would be used for the state's imports of goods declared to be "nonstrategic."

Third, the segment of the market in which the rate is set at 44 dinars to the dollar. This is the parallel exchange

rate at which individuals, using their foreign currency accounts, can import goods not prohibited by the state.

The multiple exchange rate is always temporary. The return to a single exchange rate is inevitable in a market economy.

The principle of currency devaluation is not ruled out. It is simply postponed long enough to return to a single exchange rate.

Foreigners Invest in Oil, Gas; Curfew Discussed

93AF0261A Casablanca LA VIE ECONOMIQUE
in French 11 Dec 92 pp 16-17

[Article by Jamil Bennis: "Water in the Gas"; first paragraph is LA VIE ECONOMIQUE introduction]

[Text] At a time when the country is opening up to foreign capital, the institution of a curfew could discourage investors.

A year ago almost to the day, Sid Ahmed Ghozali, the Algerian prime minister who wears the bow tie, said he was "willing to sell a quarter of Hassi Messaoud," the largest oil deposit in the country. This ostensibly tempting proposition was not enough to attract the big multinational oil companies despite the benefits bestowed by the brand-new law passed by the People's National Assembly (APN) (Parliament) putting an end to 20 years of "economic nationalism" in keeping with which the national company SONATRACH [National Company for the Transport and Marketing of Hydrocarbons] owned 100 percent of all shares in the sector. With Belaid Abdesselam, spiritual father of Sid Ahmed Ghozali, whom he succeeded as prime minister in July, Algeria is willing to go even further: It is determined to sell, not just a fourth, but 49 percent of its deposits. Lacking the means to renew them, the deposits, which in 1973 amounted to 1.5 billion tons of oil, totaled only 1.2 billion in 1992. In the meantime, the population has grown from 12.5 to over 25 million inhabitants, while annual growth excluding hydrocarbons, which had reached a ceiling of about 7 percent, is now negative. Although oil does mean substantial cash income, it is gas that is the country's real source of wealth. It has the second-largest proven reserves in the world after the former USSR.

Insofar as gas is concerned, the problem is the obsolescence of the 30-year-old equipment, which has reduced the output of the enormous Arzew and Skikda gas terminals from which loading is done to 65 percent. The stakes are even greater because two gas pipelines, one to Italy via Tunisia and the other to Spain through Morocco, should enable Algeria to nearly double its gas production by 1995, from 20.5 to 35 billion cubic meters and, by the year 2000, to 60 billion. By that time, if nothing thwarts the government's plans, hydrocarbons would bring in enough dollars to reduce or even erase a debt that is currently strangling the economy and impeding all development.

Convincing the Reluctant

In order to attain its objective, the Abdesselam government, taking up and intensifying its predecessor's efforts, has issued a series of calls for bids and is now beginning to receive concrete responses. In late November, the American Louisiana Land and Corporation was granted 6,400 km² for prospecting in southern Hassi Messaoud. That American company will invest \$33 million over a period of five years in prospecting for new deposits and drilling three exploratory wells. Four companies: two Canadian, one American, and one British, had previously signed a similar contract for \$34 million. The gas facilities are even more attractive than the oil fields because Japanese, American, and Canadian banks have invested nearly \$1 billion to meet the needs created by the European and Maghrebian demand. The strategy adopted by Abdesselam, Houari Boumediene's former minister of energy and industry for 10 years, is crystal clear: to upgrade the development of hydrocarbons, increase production, and take in the maximum amount of dollars in order to get the economic machine—which has practically ground to a halt—going again. However, in pulling it off, Belaid Abdesselam does not want to make the same mistake for which he blames the Chadli government. Going against all logic and common sense, that regime tried to peg the gas price to that of oil at a time when the latter had reached staggering levels and ended up causing the country losses of nearly \$50 billion. It is therefore a risky game and in order to remove the final hesitations of the still-reluctant foreign companies, the new investment code scheduled to go into effect in January contains a whole series of benefits and exemptions aimed at winning over the most stubborn. In the midst of the fray but moving in the opposite direction, the budget now being drafted would tax the rich to help the poor (14 million is the official figure given for the number of persons living under the poverty level, put at 7,000 dinars a month)¹ by taxing the wealthy via the most obvious signs of affluence: big cars, sumptuous mansions, and so on. Such taxation will be combined with quotas aimed at halting the entry by the end of the year of products competing with national production. Such products endanger the jobs of tens of thousands of workers in a country with 20-percent unemployment, mainly young people who graduate from the lycees and hit the streets. The new economic situation, based on strict austerity and a parsimonious distribution of resources, is thwarted by violence which, instead of declining, seems to be on the increase, forcing the Algerian Government to order a curfew in the central departments, including Algiers, where two-thirds of the country's population lives.

Final Quarter Hour

The curfew, which its authors say is aimed at countering terrorist attacks more effectively, constitutes de facto recognition that the FIS [Islamic Front of Salvation], through its armed branch, the MIA [Armed Islamic Movement], has a capacity for stirring up trouble that authorities underestimated when they declared the state

of emergency in February. The curfew, which covers the seven governorates hit hardest by terrorism, is a euphemism for a veritable state of emergency. The gravity of the situation is perfectly summed up in the attack on the general secretary of the UGTA [General Union of Algerian Workers], with 3 million members, the country's only trade union confederation, an attack that nearly cost him his life. Abdelhak Benhamouda, who had described the SIT, the Islamist Labor Union, as a "criminal union," also issued an appeal in December 1991, on the heels of the results of the first ballot of the legislative elections, for a halt in the election process in order to prevent the FIS from winning a victory of which it was otherwise assured. In other words, it is a pitched battle and the terrorists, no longer content to target law enforcement agencies, are expanding their activities to civilians whom they suspect of being allies of the government, such as the general secretary of the UGTA, considered the government's main political ally. Minister Delegate for Security M'hamed Tolba nevertheless tries to be reassuring. For him, terrorism is not only contained, but countered, and the dissolution of the 67 FIS mayoralties and those close to the charitable assemblies, considered to be the logistic base of the FIS, will deprive the terrorists of their base of action. The previous minister of interior, Major General Larbi Belkheir, had demonstrated the same optimism and similar determination. The result of this final-quarter-hour policy is no more decisive because criminal acts aimed at law enforcement officers have gone on for nearly a year, even though the government in power at the time had unwisely boasted of "eradicating" (the term used) the phenomenon "in two months." If the government says it is shifting into "high gear" by ordering the curfew against terrorism, it is not only in order to restore the government's authority and credibility, but also to reassure foreign investors, without whose money the economic recovery that is to provide jobs and therefore social stability would be greatly compromised. The institution of the curfew, which does not accomplish the government's purpose from that standpoint, risks furthering the impression abroad that in Algeria at the present time, there truly is water in the gas.

Footnote

1. 1 FF [French franc] = 4.25 Algerian dinars at the official rate, but 9.2 Algerian dinars on the "parallel market."

Import Restrictions: Citizens Said Stockpiling

93AF0253C Algiers *LE SOIR D'ALGERIE* in French
15 Nov 92 p 5

[Article from APS: "Tlemcen: The Fury of a Circular"]

[Text] Following the publication of the recent government decision setting out procedures and lists of products eligible for import, stores in Algerian shopping centers and Aswak shops in the Tlemcen wilaya selling

household electrical appliances have witnessed a major demand for household electrical products.

The rumor that this line of products would soon disappear spread quickly among the people. And this led a large number of citizens to lay siege to various stores in order to acquire what they needed even if previously these items were thought to be beyond the reach of their modest purses. Another, more serious phenomenon created by the publication of the lists of customs duties of products that may not be imported and the interpretation that was made by the rumor mill of what they contained relates to automobile parts. Batteries and other electrical components have disappeared from the store shelves. Speculators, finding this to be the right moment, buy up everything they can find in the automobile parts market anticipating that stocks will be depleted, something which, when it happens, would make their day. As for citizen consumers, confusion over the government's new decisions continues to reign in their minds, thus leaving room for rumor and speculation.

Effects of Import Restrictions Disputed

93AF0253B Algiers *LE SOIR D'ALGERIE* in French
9 Nov 92 p 3

[Article by Allaoua Ait Mebarek: "Foreign Trade: What Does Mr. Abdesselam Want?"; first paragraph is *LE SOIR D'ALGERIE* introduction]

[Text] On the out sign, a quiet return is announced. We very much fear that the austerity that Abdesselam is trying to impose, gently and with doses of circulars and recommendations, is not the austerity we might have expected given such a situation. Without running the risk of talking of a return to a totally planned government, it is nonetheless permissible, and without any ulterior motive, to ask the following question: what exactly does Belaid Abdesselam want?

Algiers (*LE SOIR D'ALGERIE*)—The austerity measures, which have been announced since the head of government took over control, are now slowly taking shape and the start of implementing the new regulations with regard to imports gives us one notion of the way crises are managed by Belaid Abdesselam. However if austerity imposes a strictness in the way public funds are allocated and used, it has nonetheless not imposed a way of doing things that in our opinion ought to have affected the state's lifestyle first and foremost.

In this regard, to the reduced cabinet originally announced, we were entitled to a standard government organization even expanded to some specialized delegations and departments. But since the issue calls for further review, we would prefer to leave it pending for the moment and thus deal merely with the subject of the day: limiting imports.

In some areas the lists, which have been drawn up on this subject, are quite astonishing with regard to the products

that are the objects of the suspension measures. If [on the one hand] we accept [the notion] that in these economic conditions the state has the right and even the duty to protect national production—when it genuinely exists, which is not the case, at least in terms of satisfying the needs of the domestic market—and closely regulate the entry of foreign products, on the other hand it is not normal, even under the pretext that all strata of society must share the austerity, to refuse to import merchandise not manufactured locally and furthermore paid for by private citizens.

Whatever one may think of the latter, be they speculators or big-time merchants reaping big profits, in their own way they have reduced the shortages—even if they were in luxury goods—shattered the monopolies, and paid customs taxes into the state treasury.

So if austerity brings with it the strictest management of the state's resources and monies, in particular by setting priorities and calculating needs, it should, on the other hand, initiate a more flexible way of dealing with private citizens, by putting higher tax surcharges, for example, on imports of certain products.

But, as currently promulgated, these new rules concerning foreign trade run the risk, in our opinion and in the short term, of encouraging a return to real speculation and monopolies either public or private; these are things which would be totally contrary to Belaid Abdesselam's objectives.

Indeed if the measures, which essentially aim at reducing consumption and thus encouraging savings, are not paired with strict supervision in the field, they will achieve only a return to a well-known situation, one which gave birth to injustices, shortages, and other influence peddling, which led on the one hand to the impoverishment of the citizen who was forced to buy a product with an official price on the informal market and on the other hand to the enrichment of a category of "friends" or "pals."

In response to the question we asked above, we do not think that the head of government has any idea or intention of encouraging speculation, but by seeking to attain an impossible equality even with austerity, he will in fact only increase the higher bidding on existing products.

This is a situation that sooner or later will put us back in chains and at the mercy of certain specialists such as, for example, those agents who will soon impose their rule on the fruit and vegetable market.

Indeed, speaking about fruits and vegetables, Mr. Abdesselam should be reminded of the fact that at the time of the late Houari Boumediene even the Algerian Fruit and Vegetable Office [OFLA] imported products such as bananas, for example, precisely to regulate the market and smash the prices which agents were imposing in every stall in the country!

Sonatrach's Position in Gas Market Discussed*93AF0221A London AL-HAYAH in Arabic 4 Nov 92
p 14*

[Article by Francis Geles: "Algeria Plays Major Role in World Gas Market After Improvement of Energy-Prospecting Terms"]

[Text] The decision made by the Italian National Electricity Corporation (INIL) to conclude a 20-year contract with Algeria's Sonatrach [Algeria's national energy enterprise] seeks to bolster Italy's position as a major world market for Algerian gas.

The contract calls for delivering 4 billion cubic meters of gas annually as of 1995. The contract also puts Italy in an interesting position in relation to the Algerian gas markets, especially because supplying power-generating plants with gas requires greater flexibility on the part of the supplier.

The recent contract confirms the change in the position of Sonatrach, which since 1988 has become more cognizant of the mutual benefits that it can reap from cooperation with international gas and oil firms and with those who take part in utilizing its resources and the firms' resources. Oil companies continue to flock to conclude prospecting contracts with Sonatrach, considering that the chances of finding gas are greater than those of finding oil. This has motivated major oil firms to take the risk of prospecting for gas, especially since Sonatrach improved gas-prospecting terms just at the beginning of this year in a manner that makes them acceptable to firms.

The credit for promulgation of the new energy law last December goes to former Algerian Energy Minister Nordin Ait Laoussine, who resigned from the Algerian Cabinet in wake of assassination of President Mohamed Boudiaf last June. But the policies advocated by Ait Laoussine have been supported strongly by Hacene Mefti, his successor, and by Prime Minister Belaid Abdessalam.

Abdessalam engineered Algeria's energy policy from 1965 to 1977. Since the new law was promulgated, Sonatrach has concluded prospecting agreements with Occidental Petroleum, Total, Arco, Mobil, Philips Petroleum, and Britain's BP [British Petroleum]. Sonatrach has also concluded an important service contract with (Halberton) Corporation. These new contracts are added to the old ones which the Algerian corporation concluded previously with Total, (Cespa), AGIP, and (RIP-SOL).

Everything in Algeria is attractive, except for the political situation. Political doubts emanate from the continued violence between the Muslim fundamentalists, on the one hand, and the security forces, on the other, since the Algerian Government abolished the first general election in which all of the country's political parties participated last December. These developments have

not affected the guarantees that the United States, Japan, and France are preparing to grant in the form of loans similar to those offered by export and import authorities. These loans are designed to renovate and enlarge Algeria's current gas liquefaction capacity. Algeria has concluded contracts worth nearly \$1 billion for the purpose this month.

Conditions and circumstances in Algeria have changed on two fronts simultaneously: Algerian terms given to prospecting firms have become more generous and oil-prospecting firms that find gas instead can recoup part of their prospecting investment. Consequently, some firms are prepared now to prospect specifically for gas.

One feature of the new law is that it offers investment opportunities to foreign firms that can increase production from current Algerian oil and gas fields. Production from these fields has dropped to less than 20 percent their capacity because Sonatrach has been missing the international expertise of firms that are active worldwide.

Algeria's rush to underline its national sovereignty over its entire gas and oil production deprived it of the sophisticated technology that more open Third World countries, such as Indonesia, have been able to acquire. Algeria has not been different in this regard from a large number of other countries that followed the same course in the 1970's and early 1980's.

On the other hand, there has been growing demand for Algerian gas. Consequently, Sonatrach cannot meet the demand with its current production capacity.

Sonatrach is fortunate for another reason. James Paul, the gas affairs director, notes that the possibility of increasing production capacity by 10 billion cubic meters annually in return for an expenditure of \$2 billion must cause rivals to be as apprehensive as consumers are reassured by the construction of two gas-liquefaction plants with a production capacity of 5 billion cubic meters of gas annually costs \$4 billion.

M.W. Kellogg and Bechtel, two American firms, and (SUFRGAS), a French company, will take charge of increasing capacity of the liquefied gas plants in Arzew and Skikda from 19 billion to 32 billion cubic meters through a project that will renovate these plants and enhance the standard of their activities. These are the same three firms that built the liquefied gas plants in the late 1960's and in the 1970's.

Simultaneously, the capacity of the pipeline that transports gas from Algeria to Italy across Tunisia, the Mediterranean Sea, and the Strait of Sardinia will be increased from 16 billion to 24 billion cubic meters, keeping in mind that this pipeline was built only nine years ago.

Adding two to three pumping plants in Algeria is likely to increase gas exports. Algerian gas exports to Spain are

scheduled to be increased. Algeria is also scheduled to begin exporting to Morocco.

At the outset of this spring, Spain pledged to continue importing from Algeria at the same current level until the pipeline that is planned to cross Morocco and reach Spain via Gibraltar is completed. This pipeline is scheduled to supply Spain with 6 to 7 billion cubic meters annually as of 1997.

The reason for the dramatic growth in Spain's gas demand is due to the Spanish Government's decision to freeze the program to generate electricity from nuclear energy and to shift to electricity generated from gas. Morocco will purchase 1 billion cubic meters of gas.

Algeria has also concluded agreements in accordance with which it will export liquefied gas to Turkey and Greece. Portugal and Germany have also expressed interest in purchasing Algerian gas. The possibility that a contract signed by Sonatrach to supply Shell, a U.S. company, with 2.4 billion cubic meters could fall victim

to the collapsing U.S. liquefied gas market—this possibility will enable Sonatrach to supply the new clients, and perhaps some Central European countries, with gas.

Sonatrach has set 60 billion cubic meters as the ceiling for its annual gas export capacity in the second half of this decade. To date, it has made commitments to export 56 billion cubic meters. In addition to the quantities of gas and oil that Algeria sells traditionally, new joint companies have been set up to engage in gas-related activities. First among these projects is the project agreed to by (Air Liquid) Company and Sonatrach to extract helium from gas that flows into the gas liquefaction plants.

A bigger joint project calls for enlarging the liquefied oil gas facilities in Arzew. The project includes enlarging the already existing and sizable gas liquefaction plant and increasing production by improving the field's yield capacity. Total Company plays a major role in this project.